

DEBT COLLECTION

HEARING
BEFORE THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
NINETY-SEVENTH CONGRESS
FIRST SESSION
ON
H.R. 4613
AND SIMILAR LEGISLATIVE PROPOSALS

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OCTOBER 15, 1981
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H.R. 4613 AND SIMILAR LEGISLATIVE PROPOSALS RELATING TO DEBT COLLECTION

THURSDAY, OCTOBER 15, 1981

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 9:30 a.m., pursuant to notice, in room 1100, Longworth House Office Building, Hon. Dan Rostenkowski (chairman of the committee) presiding.

Chairman ROSTENKOWSKI. The committee will come to order.

This hearing has been scheduled to review the administration's proposals for improving Federal debt collection efforts, particularly as those proposals relate to the jurisdiction of the Ways and Means Committee.

Mr. Conable has recently introduced H.R. 4613 which contains the most recent version of the debt-collection provisions coming within our committee's jurisdiction.

The appropriate Senate committees have had hearings and markup sessions on an omnibus debt collection bill sponsored by Senator Percy.

I believe many of us are sympathetic to the objectives of the administration in offering these proposals. Clearly, we share their concern about the size of the delinquent debt owed the Federal Government, yet the primary responsibility of this committee is the tax system. It is a tax system that relies in large measure on voluntary taxpayer compliance, compliance encouraged in no small part by a tradition of confidentiality and, for the rest, on the understaffed, overburdened Internal Revenue Service.

Accordingly, I approach with great caution measures which might undermine taxpayer confidence in the system or which would require functions of the Service that are not directly related to tax administration.

Further, it seems to me that this bill, in conjunction with a number of others on this topic, requires us to rethink our basic policy position on disclosure of tax return information for nontax administration purposes.

In the 1976 Tax Reform Act, Congress established a policy of very limited disclosure for nontax purposes with extensive privacy safeguards. Since that time Congress has begun to expand permitted disclosures for certain purposes, such as enforcement of child support obligations and collection of defaulted student loans.

Now the administration is supporting the broad use of certain IRS data by Federal agencies and third-party agents for debt collection in addition to expanded disclosure for law enforcement purposes. We must take note that other legislative proposals abound

suggesting a further expansion of the disclosure provisions and the use of IRS data for myriad diverse purposes, such as selective service registration and occupational health research.

I wonder where it will all end. At some point we may find that our policy of confidentiality has been eroded on a piecemeal basis to the extent that we have no policy, and we may find that we have lost the confidence of those who now voluntarily pay their taxes.

In addition, we open the door to some extremely sensitive decisionmaking as we attempt to judge the legitimacy of one disclosure purpose against another. Although representatives of the Treasury Department are not present today, I will expect an early indication from the administration as to its overall policy position with regard to disclosures of tax information for nontax purposes.

I am seriously concerned that if we continue to deal with each individual disclosure question outside of the framework of a general policy, we will ultimately face consequences none of us now foresees or would support.

Without objection, I will insert at this point in the record a copy of the press release announcing today's hearing.

[The press release follows:]

[Press release of Thursday, Oct. 1, 1981]

HON. DAN ROSTENKOWSKI (D., ILL.), CHAIRMAN, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES A 1-DAY PUBLIC HEARING ON THURSDAY, OCTOBER 15, 1981, ON H.R. 4613 AND SIMILAR LEGISLATIVE PROPOSALS RELATING TO DEBT COLLECTION

The Honorable Dan Rostenkowski (D., Ill.), Chairman, Committee on Ways and Means, U.S. House of Representatives, today announced a one-day public hearing on Thursday, October 15, 1981, on H.R. 4613 and similar legislative proposals relating to debt collection. The hearing will be held in Room 1100 Longworth House Office Building beginning at 9:30 a.m.

Representatives of the Administration are expected to be the lead-off witnesses to be followed by testimony from Members of Congress and interested members of the general public who have requested to be heard.

BACKGROUND INFORMATION

In May of 1981, the Administration transmitted to Congress the legislative proposal entitled the "Debt Collection Act of 1981." This proposal was introduced as H.R. 3741 and referred to the House Committees on Government Operations, Post Office and Civil Service, Judiciary and Ways and Means. The provisions of this bill within the jurisdiction of the Ways and Means Committee have now been re-introduced as H.R. 4613.

In the Senate the Administration's proposal was introduced as S. 1249 and referred to the Senate Committees on Governmental Affairs and Finance. The bill has been reported with amendments from the Governmental Affairs Committee and the Senate Finance Committee has held a hearing and markup on the bill. The Finance Committee amendments are included in H.R. 4613. Also in May, 1981, the House Committee on Government Operations reported, and the House passed, H.R. 2811, cited as the "Debt Collection Act of 1981." This measure included provisions within the jurisdiction of the Government Operations Committee that are similar to those included in the Administration's proposal on debt collection.

H.R. 4613 contains the following provisions within the Ways and Means Committee jurisdiction with regard to federal debt collection efforts: the use of social security numbers would be required in applying for federal credit assistance; the Internal Revenue Service could disclose to other federal agencies whether a federal credit applicant has an outstanding tax liability; the I.R.S. could disclose mailing addresses of taxpayers to other federal agencies and such agencies could in turn disclose these addresses to consumer reporting agencies for purposes of preparing a credit report and to third party agents for purposes of collecting a federal debt. New safeguards for these mailing addresses are provided, and those

receiving such information are subject to the civil and criminal penalties for willful redisclosures in violation of the law.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Individuals and organizations interested in presenting oral testimony at the hearing should submit their requests to be heard by telephone to be followed by a formal written request to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representative, 1102 Longworth House Office Building, Washington, D.C. 20515; telephone (202) 225-3627. The initial telephone request must be received by the Committee no later than the close of business, Friday, October 9, 1981. Notification to those scheduled to appear will be made by telephone as soon as possible after the filing deadline.

Requests to be heard must contain the following information:

- (1) The name, address, title, firm affiliation and/or organization the witness will represent (as well as a telephone number where he or his designated representative may be reached);
- (2) If appearing in an individual capacity, a list of any clients at whose request or in whose employ the witness appears; and
- (3) A topical outline or summary of comments and recommendations.

The above information should also be incorporated in the prepared statements to be presented in person as well as those filed for the written record of the hearing.

PROCEDURE TO BE FOLLOWED FOR SUBMITTING TESTIMONY

In order to assure the most productive use of the limited amount of time available to question hearing witnesses, witnesses scheduled to appear before the Committee are required to submit 125 copies of their prepared statement to the full Committee office, Room 1102 Longworth House Office Building, at least 24 hours in advance of the hearing. Failure to comply with this requirement may result in the witness being denied the opportunity to testify in person.

For those who wish to file a written statement for the printed record of the hearing in lieu of a personal appearance, five copies are required and must be submitted to the Committee office by the close of business, Thursday, October 22, 1981. An additional supply of statements may be furnished for distribution to the press and public if supplied to the Committee office before the hearing begins.

[By subsequent unanimous consent, the opening statement of Hon. Barber B. Conable, Jr., and the prepared statement of Senator Charles H. Percy, sponsor of S. 1249, follow:]

BARBER B. CONABLE STATEMENT FOR DEBT COLLECTION HEARING

Mr. Chairman, I would like to say a few words about this timely and important legislative proposal. As I see it, Mr. Chairman, there are two basic issues involved: one is the urgent need to put in place an effective system not only for collecting the \$25 billion or more in debt owed the Federal government by the public but also for extending and servicing Federal credit. The second issue is the need to maintain the confidentiality of taxpayers information within the framework of this legislation.

It is also necessary, Mr. Chairman, that we send a clear signal to all current and future debtors of the Federal government that debts will have to be paid in full on a timely basis. The current permissive attitude toward the payment of debts must be changed.

The rapid growth in debts owed the Federal government over the last several years has increased the tax burden, enlarged the budget deficit and exerted upward pressure on interest rates. The interest costs of the Federal government in carrying the delinquent debt is currently estimated at about \$5 to \$7 billion a year.

In these times of financial stress, when we are cutting deeply into the federal budget, we cannot afford to continue giving these debtors a free ride.

I look forward to hearing from our witnesses this morning and to moving this legislation expeditiously to the Floor of the House.

STATEMENT OF SENATOR CHARLES H. PERCY

Mr. Chairman, I would like to thank the distinguished members of this Committee for giving me this opportunity to comment this morning on the Debt Collection Act of 1981, H.R. 4613. As you know, I am sponsoring similar legislation in the Senate—S. 1249. This bill has already been approved unanimously by the Senate Governmental Affairs Committee, and the Senate Finance Committee.

This legislation addresses the most shocking example of waste and mismanagement of public funds I have encountered in my 15 years as a United States Senator. The Federal Government's failure to collect billions of dollars in unpaid loans, taxes, and other debts is a national outrage—a slap in the face to the taxpayers of this country. In fiscal year 1979 alone, over \$25 billion, more than half of what was due to be repaid that year, was not collected. That amounts to about \$275 for each taxpayer in the United States. Of the 10 largest lending agencies in the Federal Government, 5 had delinquency rates ranging from about 60 percent to over 97 percent.

President Reagan has moved swiftly and decisively in proposing this tough legislation to crack down on debtors who renege on their obligation to repay the government.

S. 1249 proposes 12 reforms to put some teeth into the Federal Government's lagging collection effort, three of which are similar to those in H.R. 4613. The bill was carefully drafted to provide government agencies with new tools, many of which are already used widely in the private sector, to collect debts, while maintaining important privacy and due process protections for debtors. In making up the bill in Governmental Affairs and Finance Committees, a series of amendments were adopted to further strengthen these protections, many of which were suggested by the American Civil Liberties Union. We have greatly appreciated the assistance provided by the ACLU.

I would like to stress that it has never been our intent in pursuing this legislation to make the Internal Revenue Service a debt collection agency for the entire Federal Government, nor have we intended to unduly compromise the confidentiality of the tax return. Throughout my career in the Senate, I have rejected unnecessary intrusions into an individual's tax return for purposes other than collecting taxes. The voluntary nature of our tax system depends on this confidentiality.

H.R. 4613 proposes three key reforms needed to improve federal debt collection. They are as follows:

First, H.R. 4613 would allow federal agencies to screen credit applicants against IRS lists of delinquent taxpayers to determine whether these applicants are indebted to the government for unpaid taxes. The objective of this proposal is quite simple: government credit should not be unknowingly extended to a business or individual who has not paid his taxes. This concept is not new—state and local governments have denied services, licenses, and benefits to those who have not paid their taxes. I believe that it is simply unfair to ask the taxpayers of this country to lend their tax dollars to those who have reneged on their obligation to pay their taxes. While this proposal would not establish an absolute means of denying credit to delinquent taxpayers, it would encourage those with unpaid taxes to pay them before receiving governmental credit. This process would give the IRS much-needed support in collecting the \$16 billion in overdue taxes, and screen those who have previously defaulted on their obligations to pay the government. This provision was strengthened in the Governmental Affairs and Finance Committees to limit the information to be disclosed to other agencies to that which is necessary to determine whether or not there is a tax liability. Also, this disclosure would be prohibited where delinquent taxes are in dispute.

The second key provision would allow federal agencies to redisclose to private contractors, for debt collection purposes, addresses obtained from the Internal Revenue Service on delinquent debtors. This provision is critically important to effective federal debt collection. The single most important piece of information when collecting a debt is the debtor's current address. In recognition of this, the 1976 Tax Reform Act included a provision to permit federal agencies to obtain addresses from the IRS as a means of locating debtors. Thus, the Department of Education, for example, may go to the IRS to obtain a current address for a student loan debtor. This system has been very successful: the IRS addresses are about four times more reliable than other sources, and about 12 times cheaper to obtain. In 1980 alone, federal agencies used the IRS service to locate 648,000 debtors.

Unfortunately, the IRS has insisted that the Tax Reform Act of 1976 does not permit federal agencies to redisclose these addresses to private collection agencies or consumer reporting agencies for debt collection purposes. Our greatest hope for collecting billions of dollars now overdue is to make use of consumer reporting agencies, thereby affecting the private sector credit rating of those defaulting on government debts, and private collection agencies, which can offer extremely effective collection services. However, if barred from providing consumer reporting agencies and collection agencies with current addresses on hundreds of thousands of the government's debtors, the government will be unable to make use of their desperately needed services. OMB has conservatively estimated that unless government agencies can redisclose these addresses to consumer reporting agencies, up to 30

percent of the delinquent debts that could have been collected would have to be written off.

I am confident that this will not violate the established privacy of the taxpayer. Only the address would be allowed to be disclosed, and the tax statutes already permit IRS addresses to be used for the purpose of collecting non-tax debts. Also, the Department of Education, under current tax codes, may disclose IRS obtained addresses to their "agents" (collection agencies). This legislation would merely permit other lending agencies, such as HUD, VA, SBA, and others, to use these addresses in the same way Education does in collecting loans.

This legislation recognizes the fact that the government, due to its enormous backlog of unpaid debts, \$25-\$35 billion, must increasingly use collection agencies and credit bureaus to supplement its collection efforts. Collection agencies receiving these addresses would be permitted to use them only for the purpose of collecting government debts.

Third and finally, the bill would require social security numbers to be furnished by individuals who are applying for government credit. Currently, the Privacy Act has been interpreted to prevent an agency from requiring an individual to supply his social security number. This prohibition just does not make sense for two reasons: First, if I were to walk into any bank in Chicago to obtain a private loan, or even a checking account, I would be required to supply my social security number. Yet Uncle Sam, the world's largest lender, cannot require this number. This off situation exists despite the fact that the government has assumed a tremendous risk in lending to many of these individuals—a risk that no private lending institution would take. Also, requiring social security numbers on credit applications would actually enhance protections provided the debtor. With the social security number, agencies could better verify the identity of debtors, distinguish among them, and ensure that they would be properly notified before serious collection actions are taken.

Enactment of these provisions will move us closer to sound credit management in the federal sector. We simply cannot afford to let another year go by without doing something about these unpaid debts. If we do not crack down on those defaulting on a Government loan, or those failing to pay their taxes, how can we justify asking our honest constituents to make sacrifices to cut federal spending? What will we say to the straight-A student at the University of Illinois, for example, who is losing his student loan? Why should he sacrifice while those who are delinquent in paying back old student loans, an astonishing 81 percent of the borrowers, are not?

Let me mention one other consequence of allowing so many debtors, many of them young Americans, to ignore their obligation to repay their Government. How can we expect them to respect their Government? What kind of example are we setting for them? I can understand, but I cannot condone, how we let this happen.

Some of the nearly 2 million debtors from whom we will try to collect money may consider our remedies too tough. Ultimately, however, if the government takes greater care in protecting the taxpayers' dollars, the debtors themselves will be better served. When we do not hold them responsible for federal debts, they lose respect for their government, they lose sight of the value of thrift and personal integrity, and—as a result—they may someday make serious financial miscalculations. When we treat debts too casually, the harm done by failing to collect a loan may overshadow the benefit of the loan program in the first place.

I will conclude my statement by quoting from a recent Chicago Tribune editorial, one of dozens which have appeared nationwide in support of this legislation: "Given the government's poor record of debt collection and the need to save money, these changes are long overdue. Government money has been so easy to obtain that many have come to regard a loan from Washington as a gift, just as many others have come to regard a gift from the government as a right to which they are morally entitled. (This) bill should help to correct this view of Uncle Sam as a soft touch and, at the same time, save money of the taxpayers."

Mr. Chairman, I would like to thank you again for this opportunity to comment today. I urge that your Committee promptly complete consideration of H.R. 4613 and send it on to the House floor.

Chairman ROSTENKOWSKI. At this time, I would like to call to the witness tables the representatives of the administration, Mr. Harper, Mr. Svann, and Mr. Davis. It is a pleasure for me to welcome you gentlemen to our hearing this morning.

The leadoff witness will be Mr. Harper.

Mr. Harper, if you will proceed with your testimony, the committee will be glad to receive it.

STATEMENT OF EDWIN HARPER, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. HARPER. Thank you very much, Mr. Chairman.

I appreciate the opportunity to be here today to discuss the administration's efforts to improve debt collection in the Federal Government and to comment on H.R. 4613, the Debt Collection Act of 1981.

THE PROBLEM

Recent studies by the General Accounting Office and the Office of Management and Budget reveal serious problems in Federal credit management and debt collection. Statistics which were developed by our debt collection staff, based on a massive one-time effort, indicate that the Government was owed \$175 billion in debts on September 30, 1979.

In analyzing this \$175 billion we found that more than \$25 billion were delinquent or in default; an additional \$8.4 billion were in some form of rescheduled or stretchout status because of borrowers' inability to pay; over \$1 billion in bad debts were written off in fiscal year 1979 alone and writeoffs in future years are estimated to total over \$6.3 billion.

More recent information indicates that debts owed the Federal Government have increased to \$200 billion as of September 30, 1980. Unfortunately, our reporting systems do not provide information on the condition of this debt in terms of delinquencies, defaults, and writeoffs. As I will mention later in my testimony, effective October 1, 1981, the reporting systems have been changed to provide this type of information.

In addition to inadequate reporting systems, we are confronted with many other problems in Federal debt collection. These include poor credit management and debt collection policies and procedures in the agencies; a lack of attention and priority to debt collection within the agencies; insufficient personnel and other resources in the agencies to deal with the workload; a protracted litigation process that impedes efficient and effective enforcement of debt collection; and restrictive Federal laws and regulations that inhibit the Government's use of debt collection tools readily available in the private sector.

EXECUTIVE BRANCH ACTIONS

President Reagan has recognized the seriousness of this situation. On April 23, he directed executive branch departments and agencies to implement an aggressive debt-collection program. The President stated:

Allowing uncollected debt to grow increases the cost of Government and adds to the inflation that hurts every one of us. We must make it clear that debts owed to the Federal Government must be repaid. * * * It is not right that responsible, honest citizens should suffer because of those who do not honor their obligations or pay their taxes.

We have been working closely with the agencies in carrying out the President's directive. Twenty-four Federal agencies, which account for over 95 percent of the debts owed the Government, have

already initiated comprehensive programs to improve their credit management and debt collection practices.

These programs are directed toward three objectives: one, implementing aggressive action to quickly reduce the current backlog of delinquent debt; two, implementing effective credit management procedures to prevent unnecessary new delinquencies from occurring; and, three, taking firm action to recover newly occurring delinquencies and defaults.

I would like to briefly point out some of the specific improvements being made by the agencies and some of their current accomplishments:

One, Agriculture has fixed management responsibility for debt collection and has established targets against which job performance will be measured and rated. This action, in addition to many other changes made in the servicing and collection of delinquent debt, has helped reduce delinquent debt owed the Farmers Home Administration by almost \$1 billion since January of this year, from \$2.6 billion to \$1.7 billion.

Two, Secretary Pierce at HUD has personally directed top management in the Department to focus as much attention on the collection of funds as on their disbursement. HUD is also moving quickly to implement the recently enacted uniform foreclosure law. This will eliminate the lengthy delays in the judicial process that HUD has experienced in the past. HUD is also training 500 loan servicers in the review of annual financial statements to assure that project funds are not being diverted by debtors for unauthorized purposes.

Three, the Small Business Administration has reallocated staff resources to improve collection of delinquent debt; established tighter criteria for loan approval; and increased its utilization of automation to replace cumbersome manual debt collection operations.

In addition, OMB has approved 99 temporary positions for SBA to mount a specially designed effort to collect delinquent disaster loans.

Four, the Public Health Service is making significant modifications to its automated early-warning system which monitors the financial condition of medical facilities to which loans have been made. The new system will increase its ability to quickly identify problem areas so that technical assistance can promptly be provided to prevent delinquencies and defaults from occurring.

Five, we have authorized the Internal Revenue Service to increase staff devoted to the collection of unpaid tax accounts by over 1,000 positions. This staff increase is anticipated to have a direct revenue yield of over \$375 million.

These items exemplify some of the improvement actions being taken in the 24 agencies which account for 95 percent of the delinquent debt.

We have also been working with the Treasury Department to revise and improve the current reporting system which provides information on debts owed the Government. Under the revised reporting system which went into effect on October 1, 1981, Treasury will begin collecting on a quarterly basis information never before available. This includes the amount and age of receivables

that are past due, the amount of bad debts written off, estimated future losses for uncollectable debts, and other data needed to evaluate agency debt collection performance.

The first reports on receivables outstanding at the end of fiscal year 1981 are due in to Treasury on November 16. We anticipate that it will take a number of weeks after that to review the reports for completeness and accuracy before releasing information contained in the reports. The reports on the first quarter of fiscal year 1982 are due to the Treasury at the end of January, 1982.

Finally, my staff is working closely with Justice officials to install improvements in the organization and administration of the litigation process as it affects our debt collection efforts. We will no longer tolerate those delinquent debtors who have the ability to repay their Government debts but refuse to do so. After providing these debtors due process and every reasonable opportunity to repay, we will be taking legal action to recover amounts owed to the Government.

DEBT COLLECTION LEGISLATION

I can assure you that this administration is fully committed to improving the debt collection process in the agencies. We are certain, however, that administrative actions alone will not solve the Government's debt collection problems.

Legislative actions are needed to eliminate the disincentives that presently exist in the Government's debt collection process; to make available essential tools and techniques effectively used in the private sector; and to provide for increased efficiency and effectiveness in the way the Government goes about granting credit and servicing and collecting debt.

Mr. Chairman, we ask that you and the committee support legislative remedies that will:

One, help screen out existing bad debtors by: (a) screening applicants, seeking either Government direct or guaranteed credit, with the Internal Revenue Service to insure that credit is not extended inadvertently to those who have failed to repay their taxes; and (b) requiring credit applicants to furnish their social security number to insure the identity of the person to whom we are granting credit.

Two, aid in the collection process by: (a) allowing Federal agencies to contract for collection services in recovering debt owed the United States; (b) allowing agencies to redisclose delinquent debtor addresses obtained from the IRS to private sector contractors pursuing collection of Federal debts; (c) requiring credit applicants to furnish their social security number to insure the identity of the person from whom we are trying to collect a debt; (d) providing that the 6-year statute of limitations does not prevent the administrative offset of delinquent debts owed the Government against future payments, benefits or refunds due delinquent debtors; (e) allowing the courts more latitude in the use of special appointments to serve summonses in Federal debt cases when U.S. marshals are not available for timely serving; (f) providing for the offset of delinquent debts owed the Government by Federal employees against their salaries; and (g) making it a Federal offense to

assault a Federal employee during the course of his official duties in collecting amounts due the Government.

Three, encourage the repayment of delinquent debts by: (a) requiring the assessment of interest on nontax debts due the Government, additional charges to provide for recovery of the costs incurred by the Government to collect delinquent debts, and, when appropriate, a penalty charge on debts that are more than 90 days past due; and (b) allowing referral of credit information on delinquent debtors to credit bureaus.

Three of these legislative issues which are essential to our overall debt collection efforts are included in H.R. 4613, the Debt Collection Act of 1981. I would like to briefly address each of these issues:

1. USE OF SOCIAL SECURITY NUMBERS

Section 2 of the bill would require the furnishing of social security numbers by individuals who are applying for credit or any other type of financial assistance which would result in an indebtedness to the U.S. Government.

The Privacy Act now prevents an agency from requiring an individual to include his social security number on the credit application unless a Federal statute or regulation enacted prior to the Privacy Act required the furnishing of the social security number by applicants.

Without the social security number, program agencies are restricted in their ability to verify the identity of credit applicants and to locate delinquent debtors. Agencies often have to resort to other more costly, less effective and time-consuming means to accomplish these essential debt management functions. Sometimes, the social security number is the only means of verifying the identity of, or locating debtors.

We are not talking about involving the Social Security Administration in the debt collection activities of Federal agencies. Rather, the creditor agency itself would obtain the social security number from the debtor; would not be verifying the social security number with the Social Security Administration; and, would be using the social security number to verify the identity of debtors, to obtain debtor addresses from the IRS, and to screen credit applicants with the IRS to determine if the applicant has any overdue, undisputed tax liabilities.

2. SCREENING POTENTIAL DEBTORS

Section 3 of the bill would require Federal agencies to screen credit applicants against IRS files of delinquent taxpayers. The purpose is to determine whether such applicants are indebted to the Government for unpaid and undisputed taxes.

The information that the IRS would provide the program agency would be restricted to whether or not the credit applicant is delinquent on his tax payments. The amount of the tax liability, the nature of the liability and other tax information would not be provided by the IRS to the agency.

The fundamental question is whether someone who is not disputing that he is delinquent in his tax payments should be allowed to

benefit from Federal credit programs. We believe that this question should be answered on a case-by-case basis. The provision in this bill does not require agencies to deny Federal credit to delinquent taxpayers but it will insure that agencies do not unknowingly extend credit to delinquent taxpayers.

This process will give the IRS support in collecting the more than \$19 billion in overdue taxes.

3. USE OF IRS ADDRESSES TO LOCATE DELINQUENT DEBTORS

Section 4 would allow Federal agencies to redisclose the addresses of delinquent debtors obtained from the IRS to third parties who are performing debt collection services for the Federal Government under contract.

Debtors often relocate without providing a forwarding address and the agency's only source of an accurate address is the IRS. The Internal Revenue Code permits the disclosure of addresses to agencies for debt collection purposes but does not allow agencies to redisclose the addresses to private sector contractors. Thus, agencies are precluded from using the address for essential debt collection purposes. For example, agencies cannot use the address to obtain a credit report. Also, they are prevented from using the address when turning the account over to a collection agency for further recovery efforts. Therefore, agencies are faced with the situation of knowing where the debtor is located but are unable to share that knowledge with third parties who are engaged to perform collection services on behalf of the Government.

I would like to point out that the Department of Education already has statutory authority that allows it to redisclose IRS addresses to educational institutions or their collection agents for the purpose of collecting national direct student loans. Approximately 439,000 such addresses were redisclosed in 1980 without adversely impacting our tax system.

I might also point out that section 4 includes certain privacy safeguards. These safeguards, contained in the bill, in fact essentially duplicate the privacy requirements already contained in the Privacy Act.

TIMELY ENACTMENT

Mr. Chairman, again, I can assure you that this administration is fully committed to improving the debt collection process in the agencies. We have already made significant steps in initiating administrative improvements and will continue to work closely with the agencies to insure that further administrative improvements are implemented as expeditiously as possible.

However, administrative improvements must be accompanied by legislative action by Congress if the problems and issues outlined in my testimony are to be adequately addressed.

We look forward to working with you and Congress in a joint effort to improve the Government's debt collection program.

The legislative changes contained in H.R. 4613 and in complementary bills now pending in the House and the Senate, including H.R. 4614 and S. 1249, are essential to a strengthened debt collection program for the Federal Government.

We urge the Congress to consider and enact these legislative initiatives as soon as possible, so that we can move quickly to reduce the amount of delinquent debt owed the Government. We expect that the composite of these legislative initiatives will result in the recovery of approximately \$500 million in delinquent debt that would otherwise not be collected.

Additionally, the interest alone on the \$25 billion in delinquent debt is costing the taxpayers about \$10 million a day.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you may have.

Chairman ROSTENKOWSKI. Thank you, Mr. Harper.

The gentleman from New York, Mr. Conable, is recognized.

Mr. CONABLE. Thank you, Mr. Chairman.

Mr. Harper, I apologize for not being here when you started. We are having an important meeting in another area.

I would like to ask unanimous consent that a very modest opening statement of mine relating to the two basic issues here, the question of collecting \$25 billion or more in debt owed the Government, and the issue of confidentiality of taxpayers' information, be put in the record at the beginning of deliberations this morning.

Chairman ROSTENKOWSKI. Without objection.

Mr. CONABLE. Also, Mr. Chairman, I would like to ask unanimous consent that the statement of the distinguished chairman of the Senate Foreign Relations Committee, Senator Percy of Illinois, who was intending to be here to make an opening statement this morning but who unfortunately in the Senate Foreign Relations Committee is involved with the AWACS markup this morning and could not be present, be put in the record also at the beginning of these proceedings.

Chairman ROSTENKOWSKI. Without objection.

Mr. CONABLE. I very much appreciate the chairman's forbearance in these two matters. Thank you.

Chairman ROSTENKOWSKI. Mr. Svahn, you may proceed.

STATEMENT OF JOHN A. SVAHN, COMMISSIONER OF SOCIAL SECURITY, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. SVAHN. Thank you, Mr. Chairman.

I am pleased to appear before this committee on behalf of the Social Security Administration to discuss H.R. 4613 and other proposals relating to debt collection. I share the concerns of the Congress at the enormous amount of overdue and uncollected debts owed to the Government, and I support completely the administration's efforts to improve the Government's performance in the debt collection area. By providing agencies with better legislative tools for managing the debts owed to them, you can help assure our success in dealing with this very serious problem. The magnitude of this problem in the Social Security Administration is staggering. Our outstanding debt is approximately \$1.9 billion. Prompt and efficient collection of this debt is not only good business but is also essential to help restore public confidence in the vital programs administered by this agency.

Before I comment on the legislative proposals under consideration today, I would like to tell you about some of the initiatives we have already undertaken in the Social Security Administration to

improve our debt management performance as well as some of the long-range ideas we have in mind to keep our debt collection system operating in an even more efficient and businesslike manner.

On becoming Commissioner of Social Security, one of my first acts was to establish a high priority debt management project and designate a debt management project officer. That actually came as a result of my experience on the transition team when we asked the Social Security Administration for a list of its accounts receivable and a copy of its debt management plan. I was informed that the Social Security Administration at that time did not have a debt management plan and, in fact, that it took several days in order to compile a list of accounts receivable.

After becoming Commissioner, I appointed a debt management project officer. This project officer, backed up by a debt management team, is responsible for making immediate improvements in the Social Security Administration's debt management activities.

So far the team's efforts have produced a program of administrative actions the agency can take which, we estimate, will increase the net amount of debts the Social Security Administration will collect by \$580 million in fiscal year 1982 and by \$370 million in fiscal year 1983, or nearly \$1 billion more than we would have been able to recover absent our new administrative measures.

The Social Security Administration intends to achieve these results through the following immediate actions:

One, reasserting our philosophy that debts be paid and that they be paid quickly. We are training our employees in our new debt resolution and collection procedures. Last week we completed draft changes to our operating instructions incorporating policy changes designed to increase the efficiency of our collection activities. We are developing a special program to train technical employees on the new instructions and the underlying philosophy.

Two, the institution of management control of all debts. We are implementing this through the designation of a debt management officer in each of our 1,300 field offices, requiring that all debts be manually inventoried and accounted for—assuming at some time we will have an improvement in our automated systems—and hastening the development of automated management information capabilities.

Three, collecting debts at the earliest opportunity and seeing that debts are repaid as rapidly as possible. To do this, we are changing our repayment policy where debts are paid from future benefits from requesting—and I am emphasizing “requesting” not “requiring”—repayment at the rate of 25 percent of the monthly benefit to requesting repayment at the rate of 100 percent of the monthly benefit. However, we will provide for negotiation of the repayment rate as long as the renegotiated rate permits full recovery within 3 years. We are also changing our procedures to follow up more quickly and aggressively on overpayments with manual billing and reminder notices and the use of the telephone for contacting delinquent debtors. Also, we are implementing our new computer screening of records to alert us when repayment stops before the debt is discharged. In the past, there were instances where we had stretched out the repayment of the debt on a

schedule but no one had gone back to check to find out if the person was still maintaining that schedule. We are implementing those kinds of screens now.

Four, making a special effort to resolve delinquent debts. We are planning to identify the most collectible classes of debts and pursue their collection using special in-house collection units as well as private collection agencies and credit bureaus. During this fiscal year we plan to establish pilot projects to determine the most effective way to use commercial credit bureaus and private collection agencies. Should this preliminary experience prove effective, we plan to use them extensively to pursue debts that are not readily recoverable through our in-house operations.

Five, developing billing, followup and management information systems. During fiscal year 1982, special modifications to our current systems and pilot installations of a purchased accounts receivable billing and debtor contact system will be the major actions. During fiscal year 1983, the Social Security Administration will implement an agencywide accounts receivable system that will provide automated billing, interest charging, followup and full management information.

Another effort more critical in this area is to prevent the debt from occurring in the first place. We currently have a very substantial amount of outstanding debt. The \$1.9 billion is probably understated in terms of what is actually owed to social security, but we are developing procedures to prevent the debt from occurring in the first place through more accurate payments, more timely processing of payments, and more accurate determination of eligibility.

As we pursue these debt management projects, we will also be looking into legislative ideas that could improve our debt collection capabilities even more.

Although these administrative actions will certainly help our debt management effort, they will not solve all of our problems in this area. Some legislative actions are also necessary to make tools used in the private sector to collect debts available to the Federal Government. The legislation you are considering today is part of the administration's plan to enhance the Government's fiscal responsibility. For too long the Government has been concerned with getting the money out without worrying about collecting its accounts receivable. I think this is very significant in terms of social security and the programs that we administer.

We fully support the basic goals of this legislation. In fact, the use of IRS current address information and of consumer reporting agencies could greatly enhance our debt management efforts. However, I would like to make one observation regarding H.R. 4613 and related proposals you are considering. These bills would broaden the Federal Government's use of the social security number—SSN—as an identifier. Specifically, the bill would require applicants for credit, financial assistance, or payments which may result in indebtedness to a Federal agency to furnish their social security numbers to the agency involved. I emphasize what we are talking about here is indebtedness to a Federal agency and the requirement that a social security number be furnished to that agency. The social security number will be used to verify the applicant's

identity in connection with credit management and debt collection activities.

In recent years, as you pointed out, Mr. Chairman, the use of the social security number for other administration and private sector purposes has grown steadily, accompanied by growing concerns about potential abuses of civil liberties and personal privacy. Some of the expanded uses of the social security number have been mandated by statute, such as the 1972 Social Security Act amendment requiring the Social Security Administration to issue social security numbers to legally admitted aliens. The 1976 Tax Reform Act authorized States to use the social security number in many State programs for taxation, public assistance, and motor vehicle programs.

This year the issue of using the social security number as an identifier has been under discussion in connection with the issue of work authorization for aliens. Some of the proposals that have been suggested for worker identification would increase materially the nonsocial security uses of the social security number and especially the use of the social security number as an identifier.

This could further foster development of the social security number as a universal label for individuals. In view of this situation, the administration recently expressed in a Presidential statement its opposition to the creation of a national identity card using a social security number in connection with initiatives on immigration and refugee policy. The Reagan administration thus continued the position previous administrations of both parties have taken on this issue.

I think, however, Mr. Chairman, as you have pointed out, that in certain circumstances and with proper protections, the Federal Government may validly use the social security number as an identifier. Another hat I wear is that of director of the Office of Child Support Enforcement. In the area of child support enforcement, we use an absent parent's social security number to help us collect delinquent child support payments. We work to balance the Government's need to collect outstanding debts against the rights of the delinquent debtor. Today, we are looking at the same issue.

The problem has grown so substantially and there is so much money owed to the Federal Government that this may well be an instance in which a limited use of the social security number with proper protections is completely warranted.

Thank you, Mr. Chairman. I have nothing else to say. I will be glad to answer questions.

Chairman ROSTENKOWSKI. Mr. Davis, you may proceed.

STATEMENT OF JOSEPH T. DAVIS, ACTING DEPUTY COMMISSIONER OF INTERNAL REVENUE

Mr. DAVIS. Thank you, Mr. Chairman.

I am pleased to appear this morning before your committee to express the Service's support for H.R. 4613, the Debt Collection Act of 1981. This bill would directly impact upon the Service by requiring the disclosure of certain limited IRS information to assist in the management and collection of the Federal Government's nontax debt as well as increase the likelihood of collecting delinquent taxes from those individuals seeking Federal loan assistance.

Section 3(a) of H.R. 4613 provides that certain limited tax liability information regarding applicants for Federal loans may be disclosed to other Federal agencies. The purpose of the provision is to screen potential borrowers so that the existence of a tax delinquency may be taken into account in the decision to extend Federal credit. This provision also should give taxpayers further incentive to square overdue tax accounts with the IRS. The Service supports this provision.

Section 4(a) provides for the disclosure of mailing addresses held by the Service to Federal agencies or their agents in order to locate delinquent debtors to collect Federal claims. This provision would allow a Federal agency to disclose the IRS mailing address for the debtor to a private collection agency hired to collect the debt for the Federal agency. The IRS address could also be given to a credit bureau in order to obtain a statement of a debtor's net worth so that the Federal Government could determine if further collection efforts would be productive. However, the provision would not allow the credit bureau or collection agency to retain or use the IRS address for any other purpose. For example, the collection agency could not retain or use the IRS address to facilitate collection of private debts. Use of the IRS address for any other purpose would be a Federal criminal violation and could subject the violator to a civil damage suit by the debtor.

The Service is aware of and sensitive to taxpayers' concerns with regard to making taxpayer return information available to the private collection and credit bureau industry. The entire administration is in agreement that wholesale use of taxpayer return information in an unbridled effort to collect debts arising out of the panoply of Federal benefit programs could create undue hardships on beneficiaries and jeopardize our self-assessment tax system. However, the sheer magnitude of the overdue Federal debts is so great and the disclosure of taxpayer return information so narrowly drawn in H.R. 4613 that the administration believes that a reasonable balance of public and private interest has been struck.

This conclusion is reinforced by the expectation that existing criminal and civil sanction safeguards in existing law against unauthorized redisclosure of IRS address information by collection agencies and credit bureaus may be sufficient to deter such misuse. Moreover, section 4(b)(1) of H.R. 4613 provides new safeguards with respect to IRS disclosure of addresses to third-party agents which are to be administered by the Office of Management and Budget.

There is another area of valid concern about which we are less capable of predicting the impact—public perceptions. How will the public view the IRS in nontax transactions? Even though you and I know that only address information is being disclosed, and then only for limited purposes, it is entirely possible the public perception could be of a greater Service involvement. On the other hand, the public perception could be positive in the sense that collection of nontax debts lessens the burden on a large majority of taxpayers who are not delinquent on nontax indebtedness. Again, we agree with the decision of the administration from a public policy standpoint.

I would now like to discuss two minor technical issues.

First, we should point out that a Federal agency requesting the existence of a tax liability under section 3 of the bill will provide IRS with the applicant's name and identification number. If that applicant has conducted business through another entity, for example, as the sole shareholder of a corporation, the Service is unable to provide tax liability information with respect to such other entity.

The Service can supply tax information on the entity only if its name and identifying number are supplied by the Federal agency; that is, we have no method to trace from an applicant's name and identifying number to all business entities through which we may have conducted business.

The onus will be on the Federal agencies requesting tax liability information from the Service to provide identifying information with respect to any other related entities of the applicant.

Second, we would suggest one clarification in section 3 of H.R. 4613: Section 3 allows the Service to disclose "an outstanding liability for any tax, penalty, interest, fine, forfeiture, or other imposition." Given the different circumstances under which tax liabilities may arise within the administrative process, it is not clear at what point within that process "an outstanding liability" arises for purposes of this provision.

For example, we are confident that Congress does not intend an auditor's proposed deficiency in the course of an examination of a taxpayer's return to constitute "an outstanding liability." In no sense would that proposed action be regarded as a final administrative determination. It may be that for this purpose "an outstanding liability" does not arise until the tax is assessed or has been formally billed to the taxpayer under current procedures.

Also, section 6103(1)(3)(b) as amended by the bill would provide that the Service shall not disclose any information regarding "outstanding liabilities" which are "in dispute." Whether an outstanding liability is in dispute is not always clear to the Service.

For example, a taxpayer may consent to the assessment and collection of a proposed tax deficiency with the intent to pay the tax and sue for a refund in the U.S. Court of Claims or a U.S. district court. In this case, once the consent to assessment is executed by the taxpayer and before a suit for refund is actually initiated, it is difficult, if not impossible, for the Service to know that the proposed deficiency remains "in dispute."

While we have no substantive problems with section 3 of the bill in either respect discussed above, we believe that the concepts of "outstanding liability" and "in dispute" should be clarified to fulfill congressional intent and to facilitate efficient administration.

We prefer clarification of these terms to identify specific points in the tax payment process to fulfill these objectives.

We would welcome the opportunity to work with your staff on fashioning technical language to clarify the use of these terms in a manner consistent with congressional intent and that are administratively cost efficient.

Mr. Chairman, this concludes my prepared remarks.

Chairman ROSTENKOWSKI. Thank you, Mr. Davis.

Mr. Harper, there are companion bills introduced and referred to other committees. What is the status of that legislation?

Mr. HARPER. The companion bill in the House is 4614, and I think another bill will be introduced shortly. I don't know that hearings have been scheduled on those two bills yet. I would anticipate that will occur fairly shortly.

Chairman ROSTENKOWSKI. Mr. Davis, do you feel that the provisions concerning safeguards are adequate as they relate to tax information in the hands of third-party agents? Are there any additional safeguards that you could suggest? I am particularly concerned about confidentiality.

Mr. DAVIS. We feel that the safeguards as drawn and the narrowness of the provisions for sharing the information in the bill are adequate to protect the privacy of the individuals concerned.

Chairman ROSTENKOWSKI. Mr. Harper, why is OMB required to administer the safeguard provisions under the bill, rather than IRS?

Mr. HARPER. In general, the Office of Management and Budget has responsibility for administering the Privacy Act and the provisions in H.R. 4613 essentially duplicate the provisions of the Privacy Act. I think that is why the legislation was drawn that way.

Chairman ROSTENKOWSKI. Does OMB have any experience in administering provisions such as these?

Mr. HARPER. We have had the responsibility for the Privacy Act since it was passed. I believe that we can administer those provisions. Essentially it is an overview of provisions and activities carried on by other agencies.

Chairman ROSTENKOWSKI. What safeguards do you feel are necessary to protect third-party agents under the reading of this bill? What do you see as good safeguards?

Mr. HARPER. One is absolute segregation of the data going to the contractor. A second is a clear definition of the systems and software in terms of what they do with the data when they get it originally. Third, if we have the systems in place and we have the absolute segregation, we then can make sure that the data are retrieved or rendered inoperable or destroyed once they have been used.

Chairman ROSTENKOWSKI. Mr. Harper, what do you feel will be the revenue effects of this bill? Do you feel that we will pick up any revenue by this legislation?

Mr. HARPER. Yes, sir. We think that the IRS address disclosures will probably account for \$350 to \$400 million in revenues we would not otherwise pick up because of the difficulty of locating people. We feel we can locate these people by using the IRS addresses because of the clearly superior quality of the addresses that the Internal Revenue Service has over address lists that we get from private sector sources.

Chairman ROSTENKOWSKI. With respect to your projected revenue pickup, what fiscal year are you referring to? Are you talking about fiscal year 1982?

Mr. HARPER. Yes. With the \$25 billion of delinquent debts, we think there is ample room to realize some reduction in those delinquent debts in each of the next few years beginning in fiscal year 1982. We have included \$1.5 billion in additional receipts from the recovery of delinquent debts in our budget forecast for each of the next 3 fiscal years, including fiscal years 1982, 1983, and 1984.

Chairman ROSTENKOWSKI. You have already assumed that in the fiscal year 1982 budget?

Mr. HARPER. Yes, sir.

Chairman ROSTENKOWSKI. It is in this budget then?

Mr. HARPER. Yes, sir, for fiscal years 1982, 1983, and 1984.

Chairman ROSTENKOWSKI. Mr. Svahn, do you see this as another burden for social security?

Mr. SVAHN. No, Mr. Chairman, I don't. From the standpoint of the debt management/debt collection activity itself, we had begun this, as I said, right after the transition. It is something I think that social security has been less than efficient in doing, itself.

As far as the disclosure information goes, social security would have no part in that at all. That is purely between the Federal agency and the Internal Revenue Service.

Chairman ROSTENKOWSKI. Mr. Conable will inquire.

Mr. CONABLE. Thank you very much, Mr. Chairman.

Mr. Harper, how much of this \$25 billion of delinquent or default debt are we writing off yearly?

Mr. HARPER. One of the problems is that we don't have current data. We are just now implementing through the Treasury Department a system where we will have current information. In fiscal year 1979, however, we wrote off \$1 billion and forecasted there were another \$6.4 billion in debts that were likely to be written off in future years. That kind of data will be available on a quarterly basis in the future.

Probably by the end of this year, we will have the figures for September 30, 1981.

Mr. CONABLE. Is there some specific policy for writing off debt, or is each case taken on its own merits and reviewed and decided on whether or not it is collectible?

Mr. HARPER. Basically, agencies must follow the general guidelines established by the Federal Claims Collection Standards which are jointly issued by GAO and Justice. Keeping these guidelines in mind, each case is taken on its own. Certainly up to this point it has always been decided at the agency and perhaps subagency level.

Mr. CONABLE. Are there obligations outstanding for many years that have been inactive for that period of time? I am trying to get some idea how current that \$25 billion is. Or has Government policy involved fairly regular review and writeoff?

Mr. HARPER. There has not been a consistent policy, just as there has not been a consistent data base. Part of the problem in identifying the relative delinquent status of the \$25 billion is that there is some \$2.5 billion for which we are not sure exactly what its age is, because of the poor quality of Government records. But the policy up to this point has been a very decentralized one with no kind of central policy, or philosophy even, guiding debt collection.

This is one of the major changes we want to make; change of attitude, change of philosophy about debts owed the Government.

Mr. CONABLE. Looked at in that light, you don't really know how much of the \$25 billion is collectible, do you?

Mr. HARPER. No, sir.

Mr. CONABLE. Largely because of decentralization and because of uncertainty about the policies involved in collection?

Mr. HARPER. And also about the data base as well.

Mr. CONABLE. Then when you talk about your having in the budget an additional \$1.5 billion of assumed collections, you mean that much beyond what would normally be collected out of this degree of delinquency?

Mr. HARPER. That is correct.

Mr. CONABLE. That is your normal collection of overdue accounts? How much does that amount to a year?

Mr. HARPER. It has varied but we don't have a data base that will really indicate how much it has been. For example, the Farmers Home Administration is an interesting case in point.

Mr. CONABLE. I think that is an interesting case in point. I think it is an alarming case in point.

Mr. HARPER. Yes. The bad news is that there are so many delinquent debts. The good news is that they have been able to collect \$1 billion of that delinquent debt the first 9 months of this year.

Mr. CONABLE. They have not made any loans, so they can spend all their time on collection activities. That is an overstatement, I know.

Mr. HARPER. The situation is that, at the Farmers Home Administration, apparently for the first time they are really serious about making these collections. There was \$1 billion out there waiting to be collected. They went out and took that cream off of the delinquent debts. It is going to be harder to get the next \$1 billion of delinquent debt out of their portfolio.

Mr. CONABLE. Which are the areas where there is big debt and which are the areas where there is the toughest debt in the Government? I don't expect you to list all the areas, but where are the particularly sore spots, so I will know whose toes we are stepping on, if we are stepping on toes. Of course, we are stepping on the taxpayers' toes if we don't do it.

Where is the pressure going to come?

Mr. HARPER. The pressure has already come in some agencies. The Farmers Home Administration and the Department of HUD are good examples. Also, the Small Business Administration and the Department of Education have delinquency problems. There are very few agencies we would leave off the roster of those who have done a relatively poor job of managing their Federal debt. In the past nobody cared. We really care about this issue, because I think the taxpayers are demanding it when it is costing them \$10 million a day in excess interest cost.

Mr. CONABLE. My time is up, Mr. Chairman. Thank you.

Mr. PICKLE [presiding]. I appreciate the testimony of all three of you gentlemen. I am going to concentrate my questions on you, Mr. Svahn, since we share the problems of joy and agony on social security matters these days.

First, with respect to your statement on page 1 you said, "Our outstanding debt is \$1.9 billion."

How much of that debt is uncollectible and how much is the fault of the Social Security Administration? Can you give me a figure?

Mr. SVAHN. I have to say, Mr. Chairman, that in terms of how much of it is collectible versus how much is uncollectible I honestly

don't know, and the reason being, as I said not in the prepared statement but in my opening remarks, that up until January, Social Security had no debt collection system. We still don't have an accounts receivable system and you have to have an accounts receivable system in order to determine the age of the debt that is owed. We don't know how old some of that debt is. There is an ongoing effort by Social Security to recover overpayments in debts that are owed on a regular basis. We are fairly successful in the retirement and survivors programs. We are not so successful in the disability and SSI programs.

Mr. PICKLE. For the record perhaps later you will want to submit a more detailed analysis. I would like to know how much is collectible, how much is the fault of SSA, how many of those people are dead, and you don't know that they are dead. Try to break it down for me so that we have a better understanding of the amount that is uncollectible as a debt.

Mr. SVAHN. I think, Mr. Chairman, that will be an extremely difficult thing to do. All we know is an aggregate figure. We are in the process right now of taking an aggregate figure and breaking it back down. We have not broken it down by program and by district office.

Mr. PICKLE. You have a figure for me. You have to arrive at that figure from some source.

Mr. SVAHN. Yes.

Mr. PICKLE. I would like you to identify it for me.

Mr. SVAHN. We will be glad to.

Mr. PICKLE. On page 3 you make the point that the SSA is concentrating on collecting debts at the earliest opportunity and as rapidly as possible. Now you say you are going to request repayment at the rate of 25 percent of the monthly benefit up to 100 percent.

Mr. SVAHN. Yes.

Mr. PICKLE. That is a big change. How do you propose to work this? I notice the key word is that you are going to request repayment.

Mr. SVAHN. That is right.

Mr. PICKLE. You are going to say, Will you please pay back the full amount, or 25 percent?

Mr. SVAHN. That is correct; we will request full repayment. As I commented in my opening statement, in the past when a schedule was set up for repayment over a period of years, that repayment may or may not have been made. In general business, the quicker you can collect your accounts receivable, the more likely you are to have them paid.

What we are saying is that, as soon as we identify the debt, we would like to arrange for repayment and arrange for the repayment as fast as possible. Under our present administrative procedures, we only ask for 25 percent back.

Mr. PICKLE. When you are going to request and that individual is going to consider this more or less as an order to comply, and they are going to be expected to pay back 100 percent, will that hold through in the case of whether it is the individual's fault or the Social Security Administration's fault? Suppose you had an over-

payment. Are you going to say, "We expect you to pay back \$500," or \$1,000 or \$2,000 next month?

Mr. SVAHN. We are going to expect people to pay it back, yes.

Mr. PICKLE. When it is not their fault?

Mr. SVAHN. Mr. Chairman, each one of those debts will be evaluated individually. It would be based on the individual's ability to pay it back. If an individual can pay back the debt in 1 month or on the spot, then we will accept the money.

Mr. PICKLE. Would you make this same kind of approach, that is, request the full 100 percent from SSI beneficiaries?

Mr. SVAHN. Each case is determined on an individual basis. Just because someone gets an SSI payment is not a reason to say that they cannot pay back an overpayment.

Mr. PICKLE. Then you are including the SSI?

Mr. SVAHN. I would say we would request repayment of overpayments in all cases and that each case will be determined on an individual basis as to ability and to length of time for repayment.

Mr. PICKLE. That will entail a lot of work.

Mr. Rostenkowski asked you if this would cause you a problem. You said, "No; our computers are busting their seams right now. We have great difficulty." You are saying this additional responsibility will not encumber the efficiency of your operations?

Mr. SVAHN. I think not doing it encumbers the efficiency of our operations. The fact is that we consistently have \$1.8 billion or \$1.9 billion in outstanding overpayments.

Mr. PICKLE. We approve of the general objective as you do. You have to ask yourself if we have an extremely dangerous situation with respect to our computers and then if we overlooked them now with a national identifier will that cause additional load?

We are trying to find out the effect this extra workload would have with respect to the efficiency or even overloading of our system. I think it is an analysis we should have presented to this committee.

Mr. SVAHN. I will be glad to, Mr. Chairman. I think I can assure you right now that we are not planning on adding any new burden to our already, as you pointed out, overburdened data-processing capability. Any accounts receivable system that we would move to under our debt collection procedure would be a purchased, already developed software system and would operate outside of our regular system. It would, however, be incorporated in the overall systems redesign that we have talked about.

Mr. PICKLE. I want to ask you about one other area. On page 5 you point out that you support the objective of this legislation. Then you say that based on what this bill does, it would broaden the Federal Government's use of social security as an identifier. That is really what we are doing. This bill would in effect enable the social security number to become a national identifier. That is really what we are getting down to.

Do we want to do that? The bill limits it to indebtedness to a Federal agency. I accept that is the purpose of it. First, I would ask you how do you limit that just to a Federal agency? Do you think you can do that?

Mr. SVAHN. I obviously would have nothing to do other than with my own agency with the enforcement of the provisions of this

bill. As I said before, my feeling is that, under certain circumstances we have to weigh the advantages of the use of the social security number versus the disadvantages of having all this outstanding debt.

Mr. PICKLE. We also have to weigh that with the privacy rights of the individual.

Mr. SVAHN. Yes, sir.

Mr. PICKLE. There is the overall agreement the Government has with American citizens that an individual not be hounded to death. If the social security number is broadened to become the national identifier we could say that an individual could never escape harassment if he becomes indebted to the Federal Government.

I ask you this: If you say this is limited just to the Federal agencies, don't you think that we should have some restrictions in this legislation? You read paragraph 2 and it is very broad. I want to know how can you put restrictions in there so that it won't be overdone.

For the committees purpose I will read that out loud. On page 2 of this bill:

(b) Any social security number obtained under subsection (a) of this section may be used for verification of the applicant's identity in connection with credit management and debt collection purposes undertaken pursuant to the Federal Claims Collection Act of 1966 or other statutory authority.

It seems to me we should have specific restrictions, otherwise the old section 1106 is in effect done away with.

I am asking you what kind of restrictions should we have in there unless you want it to become the national identifier, and you say you don't want that, and the administration doesn't want it. Is that only to address information, just for address information only?

Mr. SVAHN. Perhaps the gentleman from Internal Revenue Service would be in a better position to comment on what type of information they have that would be disclosed under this because it would not be social security which would be making the disclosure.

Mr. PICKLE. I am asking should we limit this just for address purposes rather than for identification purposes. If IRS wants to comment, they can do that. I am concerned that this, although you say you don't intend any release of information to private investigators, I ask the question, should we have a restriction in there that this information cannot be given to the private agencies.

Should we not have that requirement that it will be for the Federal Government and nothing available to private agencies.

Mr. SVAHN. I don't think so, Mr. Chairman. I don't believe so for one reason: What you are doing there, you are saying the only way we should collect debt is to do it through Government employees and through a Government agency.

Mr. PICKLE. On the one hand you say it should be limited to Federal agencies only. Now you say but it should not be limited. It should be made available to private agencies. How can you do both?

Mr. SVAHN. I think what it says is that the Federal agency should collect the social security number as an identifier on the application for a loan or for an encumbrance or something like that. What we are talking about on the other side is collection of

debt and disclosure of address information from IRS to the collecting agency. Presumably, any private agency would be operating as an agent of the Federal agency and would be bound by the same restrictions and the same privacy requirement as any other Government agency would.

Mr. PICKLE. It bothers me, Mr. Svahn, you say on page 4 of your testimony that the Social Security Administration will experiment with using private collection agencies to collect benefit overpayments.

Does this mean that you feel the Social Security Administration already has the authority to use private agencies now?

Mr. SVAHN. No, it does not. We are talking about in relationship to this bill.

Mr. PICKLE. But you are going to experiment with that process. I have to assume you believe then you have authority to do that now even in advance of a bill that we might pass.

Mr. SVAHN. I am not at the present time entering into any contracts. We are looking at whether or nor we have the legal authority to develop some experimental project.

Mr. PICKLE. Do you intend to use private agencies?

Mr. SVAHN. I would like to try to test to see whether the recovery of overpayments can be done more effectively and more efficiently through the use of organizations that specialize in the collection of debt.

Mr. PICKLE. I am exceeding my time. I notice that we have a vote on. I have other questions I want to come back to. In the meantime, I recognize Mr. Bailey. The chairman is on his way back to the committee.

Mr. BAILEY. Mr. Chairman, we have a vote. I have no questions. I am satisfied with the questions that Mr. Conable and you have asked this morning. I have nothing to add.

Mr. PICKLE. Do you have any questions?

Mr. MOORE. Yes, Mr. Chairman, I do.

Mr. PICKLE. Have you voted?

Mr. MOORE. No, Mr. Chairman.

Mr. PICKLE. Go ahead, Mr. Moore. I understand the chairman is on his way back to the committee.

Mr. MOORE. In reading the committee report it is not clear to me, whether under existing law as it is right now Internal Revenue Service has the authority to release to Federal agencies information about an overpayment of taxes or a refund of taxes that are due back to a taxpayer?

Mr. DAVIS. No, sir, we do not.

Mr. MOORE. In other words, if a man owes SBA a loan and is in default on that loan but we are about to return to him several thousand dollars in overpayments to the Internal Revenue Service, IRS cannot release that information to SBA; is that correct?

Mr. DAVIS. That is correct.

Mr. MOORE. You talk about information for screening for tax liability. Do you include in the bill information such as just asked for about refunds that are due the taxpayer?

Mr. DAVIS. The way the bill is drawn the only thing we could disclose would be the fact of liability, not the amount or that additional specificity.

Mr. MOORE. It is your opinion the bill would need to be changed to permit the release of the exact amount of refund that is due the taxpayer, overpayment refund to be paid to the taxpayer?

Mr. DAVIS. Yes.

Mr. MOORE. I intend to support this bill. It is a very good idea. I intend to also have it amended to take care of the situation that I have just questioned you about.

Thank you, Mr. Pickle.

Mr. PICKLE. Mr. Harper, you had not commented on some of the questions I have raised with Mr. Svahn. Do you wish to make a statement?

Mr. HARPER. I will be happy to comment on a few of the issues.

First of all, in general we do not today have authorization to use private collection contractors. We have had specific authorization from the Congress to use it in the Department of Education and there have been some successful experiments run there. I think it is important because you can see the analogy between private sector collection activities and those in the Federal Government, especially when we are talking about private sector contractors because here essentially we have individuals who are working on a true incentive basis. If they don't make the collection they don't get paid.

Just as important, they are forced to constrain their activities to those that are legal, ethical, and appropriate as defined by the Fair Debt Collection Practices Act which the Congress passed a few years ago.

With respect to the burden on the Social Security Administration, there are two aspects of this to look at. No. 1, the debt collection activities of the Social Security Administration is as an operating agency, and their Administrator Svahn has responded specifically.

In terms of general context of the use of social security numbers, the use of social security numbers in the context of the program we are talking about for Federal debt collection is not any different than the use of social security numbers by, for example, the credit union or Sears, Roebuck or other places where private individual consumers go and ask for credit.

Here these private corporations do not ask for specific verification from the Social Security Administration. What they are looking for is one incremental assurance that in fact they have identified the proper person. It is just an extra way to make sure that they are lending money to the person who presents himself to be that person, in other words, associating a name and a number as a double check. I might also add that under the terms of the Privacy Act, many Federal loan programs already are authorized to require applicants to provide social security numbers since these programs operate under laws that predate the Privacy Act and allowed the requesting of social security numbers.

I think those would be the key comments necessary to supplement Mr. Svahn's testimony in response to Congressman Pickle's questions.

Chairman ROSTENKOWSKI. Mr. Harper, in testimony before the Senate Finance Committee, the Credit Bureau Association testified that they could not enter into a contract with the Federal agency

that prohibited the reuse or redisclosure of information received from the Government.

How does this position square with the bill's provisions that seem to apply the safeguards provisions and penalties to credit bureaus?

Mr. HARPER. I don't think there is any question that our position is that they cannot reuse those names. I am not familiar with that particular testimony but we have been approached by other associations assuring us they would be able to meet the safeguards and requirements of the bill. So perhaps we have here a difference of opinion among private sector experts but we did have representations that they would not have a problem in meeting the privacy safeguards which we feel are absolutely essential.

Chairman ROSTENKOWSKI. Mr. Russo will inquire.

Mr. RUSSO. Thank you very much, Mr. Chairman.

Could you tell me how much debt is owed to HUD?

Mr. HARPER. Just a second, we will have that number for you. We will be happy to submit to you the most current data that we have for each of the agencies for the record.

Mr. RUSSO. I would like to have that.

[The information follows:]

GOVERNMENT-WIDE
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$24,661.7		100.0		\$150,483.5		100.0		\$175,145.2		100.0
a) Current	\$24,011.7		97.4		\$22,910.0		15.2		\$46,921.7		26.8	
b) Long Term	650.0		2.6		127,573.5		84.8		128,223.5		73.2	
2. Age of Receivables												
a) Not Delinquent		\$ 4,427.1		18.4		\$ 14,863.8		64.8		\$ 19,290.9		41.1
b) Delinquent		17,538.2		73.0		7,732.2		33.8		25,270.4		53.8
- 1-30 Days	\$ 314.1		1.3		\$ 169.6		.7		\$ 483.7		1.0	
- 31-90 Days	4,204.4		17.5		635.0		2.9		4,839.4		10.3	
- Over 90 Days	13,019.7		54.2		6,927.6		30.2		19,947.3		42.5	
c) Not Aged		2,046.4		8.6		314.0		1.4		2,360.4		5.1
Total Allowances		\$ 3,341.7				\$ 2,944.0				\$ 6,285.7		
Total Write-offs		780.7				237.3				1,018.0		

DOMESTIC SUMMARY
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$23,031.0		100.0		\$102,675.4		100.0		\$125,706.4		100.0
a) Current	\$22,855.0		99.2		\$17,673.9		17.2		\$40,528.9		32.2	
b) Long Term	176.0		.8		85,001.5		82.8		85,177.5		67.8	
2. Age of Receivables												
a) Not delinquent		\$ 3,453.5		15.1		\$10,906.3		61.7		\$14,359.8		35.4
b) Delinquent		17,369.0		76.0		6,513.2		36.9		23,882.2		58.9
- 1-30 Days	\$ 313.7		1.4		\$ 136.8		.8		\$ 450.5		1.1	
- 31-90 Days	4,204.1		18.4		581.3		3.3		4,785.4		11.8	
- Over 90 Days	12,851.2		56.2		5,795.1		32.8		18,646.3		46.0	
c) Not Aged		2,032.5		8.9		254.4		1.4		2,286.9		5.7
Total Allowances		\$ 3,341.7				\$ 2,944.0				\$ 6,285.7		
Total Write-offs		780.7				237.3				1,018.0		

FOREIGN SUMMARY
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$1,630.7		100.0		\$47,808.1		100.0		\$49,438.8		100.0
a) Current	\$1,156.7		70.9		\$ 5,236.1		11.0		\$ 6,392.8		12.9	
b) Long Term	474.0		29.1		42,572.0		89.0		43,046.0		87.1	
2. Age of Receivables												
a) Not delinquent		\$ 973.6		84.2		\$ 3,957.5		75.6		\$ 4,931.1		77.1
b) Delinquent		169.2		14.6		1,219.0		23.3		1,388.2		21.7
- 1-30 Days	\$.4		*		\$ 32.8		.6		\$ 33.2		.5	
- 31-90 Days	.3		*		53.7		1.0		54.0		.8	
- Over 90 Days ^{1/}	168.5		14.6		1,132.5		21.7		1,301.0		20.4	
c) Not Aged			13.9	1.2		59.6	1.1			73.5	1.2	

* Less than one tenth of one percent

^{1/} All delinquencies for all over 90 day categories for Ex-Im and AID have been combined into this category.

AGENCY FOR INTERNATIONAL DEVELOPMENT
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable 1/				Loans Receivable 2/				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$12.1		100.0		\$16,450.6 6/		100.0		\$16,462.7 7/		100.0
a) Current	\$12.1		100.0		\$ 554.5		3.4		\$ 566.6		3.4	
b) Long Term	-		-		15,896.1		96.6		15,896.1		96.6	
2. Age of Receivables												
a) Not delinquent					\$ 491.9		88.7		\$ 491.9		86.8	
b) Delinquent		\$12.1		100.0	62.6		11.3		74.7		13.2	
- 1-30 Days	\$.4 2/		3.3		\$ 12.7		2.3		\$ 13.1		2.3	
- 31-90 Days	.3 2/		2.5		9.5		1.7		9.8		1.7	
- Over 90 Days	11.4 3/		94.2		40.4 5/		7.3		51.8		9.2	
c) Not Aged												

1/ Largely comprised of residual Indochina claims of \$8,608,000 deemed uncollectible.

2/ Includes Housing Guarantee Program defaults.

3/ AID aging schedule reported \$690,000 as 1-90 days delinquent. This amount has been allocated as shown.

4/ AID aging schedule reported: \$1,844,000 as 91-360 days delinquent; \$339,000 as 12-24 months delinquent; and \$9,182,000 as over 24 months delinquent. For the purpose of consolidation, these have been combined in the over 90 days delinquent category.

5/ AID aging schedule reported: \$5,000,000 as 91-180 days delinquent; \$3,200,000 as 181-360 days delinquent; \$2,900,000 as 12-24 months delinquent; and \$29,300,000 as over 24 months delinquent. These amounts have been consolidated in the over 90 day category.

6/ Includes \$129,934,000 of interest reported to Treasury as accounts receivable.

7/ Amount reported to Treasury amounted to \$16,457,843,000. Difference of \$4,857,000 consisted of: principal on housing loans of \$5,106,000 reported to Treasury as other assets; \$130,000 of accounts receivable in the acquisition of property revolving fund reported to Treasury but not included above; \$115,000 difference in housing loan balances that was not specifically identified; and, net working difference of \$4,000.

DEPARTMENT OF AGRICULTURE
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$1,500.0		100.0		\$65,724.4		100.0		\$67,224.4		100.0
a) Current	\$1,500.0		100.0		\$10,359.1		15.8		\$11,859.1		17.6	
b) Long Term	-		-		55,365.3		84.2		55,365.3		82.4	
2. Age of Receivables												
a) Not delinquent		\$ 900.0		60.0		\$ 9,605.7		92.7		\$10,505.7		88.6
b) Delinquent		600.0		40.0		753.4		7.3		1,353.4		11.4
- 1-30 Days	\$ 100.0		6.7		\$ 36.4		.4		\$ 136.4		1.2	
- 31-90 Days	-		-		90.2		.9		90.2		.8	
- Over 90 Days	500.0		33.3		626.8		6.0		1,126.8		9.4	
c) Not Aged		-		-		-		-		-		-
Total allowances for uncollectibles	\$	60.2			\$	53.7			\$	113.9		
Total write-offs		9.6				15.0				24.8		

DEPARTMENT OF COMMERCE
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$34.3	2/	100.0		\$878.6		100.0		\$912.9		100.0
a) Current	\$34.3		100.0		\$239.1	1/	27.2		\$273.4		29.9	
b) Long Term	-		-		639.5		72.8		639.5		70.1	
2. Age of Receivables												
a) Not delinquent		\$15.7	2/	45.8		\$ 28.1		11.8		\$ 43.8		16.0
b) Delinquent		18.6		54.2		159.3		66.6		177.9		65.1
- 1-30 Days	\$ 1.8		5.2		\$ 1.0		0.4		\$ 2.8		1.0	
- 31-90 Days	1.6		4.7		0.7		0.3		2.3		0.9	
- Over 90 Days	15.2		44.3		157.6		65.9		172.8		63.2	
c) Not Aged		-	-			51.7	1/	21.6		51.7		18.9
Total Write-offs		-				\$ 10.2				\$ 10.2		

1/ \$23.2 million of notes for refunds due under the Construction Differential Subsidy (CDS) Program in Maritime Administration not previously reported and \$28.5 million of loans reported to Treasury but not to DCP have been added.

2/ Includes \$1.0 million of interest reported to Treasury but not included in the agency report.

DEPARTMENT OF DEFENSE
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$1,220.0		100.0		\$7,018.5 ^{2/}		100.0		\$8,238.5		100.0
a) Current	\$1,220.0		100.0		\$1,329.5 ^{2/}		18.9		\$2,549.5		30.9	
b) Long Term	-		-		5,689.0 ^{2/}		81.1		5,689.0		69.1	
2. Age of Receivables												
a) Not delinquent		\$ 954.6		78.2		\$1,289.4		97.0		\$2,244.0		88.0
b) Delinquent		174.4		14.31		40.1		3.0		214.5		8.41
- 1-30 Days	\$ 62.2		5.1		\$ 9.3		.7		\$ 71.5		2.8	
- 31-90 Days	49.1		4.0		6.3		.5		55.4		2.2	
- Over 90 Days	63.1		5.2		24.5		1.8		87.6		3.4	
c) Not Aged		91.0		7.51		-		-		91.0		3.61
Total write-offs		\$ 2.3				\$ 3.8				\$ 6.1		

1/ DOD has stated that the not aged is known to be delinquent. Accordingly, the delinquent rates are 21.8% for accounts receivable and a composite of 12% for currently due receivables.

2/ Includes \$5,384.8 million of guaranteed loans financed by the Treasury's Federal Financing Bank (FFB). Based on the \$500 million of collections estimated for FY 80 budget year, that amount is treated as current and not delinquent and \$4,884.8 million is treated as long-term. The \$5,384.8 million includes interest of \$113.9 million and principal of \$5,270.9 million.

DEPARTMENT OF EDUCATION
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$20.5		100.0		\$6,403.8		100.0		\$6,424.3		100.0
a) Current	\$15.9		77.6		\$2,741.3		42.8		\$2,757.2		42.9	
b) Long Term	4.6		22.4		3,662.5		57.2		3,667.1		57.1	
2. Age of Receivables												
a) Not delinquent		\$ 9.8		61.6		\$ 503.5		18.4		\$ 513.3		18.6
b) Delinquent		6.1		38.4		2,237.8		81.6		2,243.9		81.4
- 1-30 Days	\$.1		.6		\$ 106.7		3.9		\$ 106.8		3.9	
- 31-90 Days	.1		.7		210.8		7.7		210.9		7.7	
- Over 90 Days	5.9		37.1		1,920.3		70.0		1,926.2		69.8	
c) Not Aged		-	-	-		-	-	-		-	-	-
Total Allowances		-				\$ 526.3				\$ 526.3		
Total Write-offs		\$.4				-				-		

DEPARTMENT OF ENERGY
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable		Loans Receivable		Total Receivables	
	Amount	Percent	Amount	Percent	Amount	Percent
1. Total Receivables	\$675.9 ^{1/}	100.0	-	-	\$675.9	100.0
a) Current	\$648.8	96.0			\$648.8	96.0
b) Long Term	27.1	4.0			27.1	4.0
2. Age of Receivables						
a) Not delinquent	\$447.9	69.0			\$447.9	69.0
b) Delinquent	135.9	21.0			135.9	21.0
- 1-30 Days	\$ 37.3	5.8			\$ 37.3	5.8
- 31-90 Days	27.2	4.2			27.2	4.2
- Over 90 Days ^{2/}	71.4	11.0			71.4	11.0
c) Not Aged	65.0	10.0			65.0	10.0
Total allowances	\$ 22.3		-		\$ 22.3	
Total write-offs	.2		-		.2	

1/ The March 1980 Treasury Bulletin reflected \$637.0 million in accounts receivable and \$33.4 million in loans receivable. The \$33.4 million from the Oak Ridge Operations was due from deferred sales contracts and should be reported as accounts receivable. \$6.3 million of these receivables are currently due and the remainder due in the future. The remaining difference \$5.5 million is due to travel advances, \$2.9 million not reported as accounts receivable in the Treasury Bulletin, and \$2.6 million of additional receivables reported in the agency report for the Bonneville Power and Western Power Administrations.

2/ Delinquencies reflected in this category were reported by the agency as follows:

91-180 days \$31.7
181-360 days 5.2
12-24 months 3.6
Over 24 months 30.9
\$71.4

\$21.8 million of the over 24 months delinquencies are from the Clinch River Breeder Reactor program which has been curtailed.

EXPORT-IMPORT BANK
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$277.0 ^{3/}		100.0		\$11,918.7 ^{2/}		100.0		\$12,195.7		100.0
a) Current	\$277.0		100.0		\$ 1,520.6 ^{2/}		12.8		\$ 1,797.6		14.7	
b) Long Term	-		-		10,398.1		87.2		10,398.1		85.3	
2. Age of Receivables												
a) Not delinquent		\$163.0		58.9		\$ 1,359.4		89.4		\$ 1,522.4		84.7
b) Delinquent		100.1		36.1		101.6		6.7		201.7		11.2
- 1-30 Days	-	-			\$ 3.0		.2		\$ 3.0		.1	
- 31-90 Days	-	-			12.0		.8		12.0		.7	
- Over 90 Days	\$100.1		36.1		86.1 ^{1/}		5.7		186.7		10.4	
c) Not Aged		13.9		5.0		59.6 ^{2/}		3.9		73.5		4.1

1/ Delinquencies in this category were computed from agency schedule as follows:

91-180 days	\$ 2.5 million
181-360 days	6.6 million
12-24 months	12.6 million
Over 24 months	64.9 million
	<u>\$86.6 million</u>

2/ Includes cumulative losses for guarantee and insurance programs (\$59.6 million), aging was not available. This amount was not reported in the March 1980 Treasury Bulletin.

3/ Accounts receivable amounts were not reflected in the Ex-Im report but were subsequently furnished by Ex-Im contact.

GENERAL SERVICES ADMINISTRATION
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$111.0		100.0		\$404.0		100.0		\$515.0		100.0
a) Current	\$102.9		92.7		\$ 10.7		2.6		\$113.6		22.1	
b) Long Term	8.1		7.3		393.3		97.4		401.4		77.9	
2. Age of Receivables												
a) Not delinquent		\$100.0		97.2		\$ 8.8		82.2		\$108.8		95.8
b) Delinquent 1/		2.9		2.8		1.9		17.8		4.8		4.2
- 1-30 Days	-		-		-		-		-		-	
- 31-90 Days	\$ 1.6		1.6		-		-		\$ 1.6		1.4	
- Over 90 Days	1.3		1.2		\$ 1.9		17.8		3.2		2.8	
c) Not Aged												
Total write-offs		\$.1		-		-		-		\$.1		-

1/ GSA utilizes two aging schedules: 45-75 days, 76 and over; and 30-60, 60-90 and over 90 days. Aging reflected above was computed as follows: 45-75 days, 30-60 days and 60-90 days were combined into 31-90 days. Over 75 days and over 90 days were combined into over 90 days.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$1,890.9		100.0		\$985.1 ^{1/}		100.0		\$2,876.0		100.0
a) Current	\$1,863.7		98.6		\$ 74.5		7.6		\$1,938.2		67.4	
b) Long Term	27.2		1.4		910.6		92.4		937.8		32.6	
2. Age of Receivables												
a) Not delinquent		-		-		-		-		-		-
b) Delinquent		\$1,806.1		96.9		\$ 72.2		96.9		\$1,878.3		96.9
- 1-30 Days	-		-		-		-		-		-	
- 31-90 Days	-		-		-		-		-		-	
- Over 90 Days ^{2/}	\$1,806.1		96.9		\$ 72.2		96.9		\$1,878.3		96.9	
c) Not Aged		57.6		3.1		2.3		3.1		59.9		3.1
Total allowances		\$ 497.2				-				\$ 497.2		
Total write-offs		145.0				-				145.0		

1/ Includes \$113.6 million of receivables which had not been reported to Treasury. The majority of loans not reported were in the Health Resources Administration and resulted from defaulted guaranteed loans.

2/ HHS indicated that the debt condition of many of its receivables were poor. Guaranteed loan program defaults of \$60.2 million were reported some of which have been in default since 1977 and not reported as receivables by HHS. Accounts receivable in SSA are of extremely poor quality and probably over 90 days past due. \$11.5 million of the unreported receivables for the National Health Services Corp. are over 12 months past due. While aging was not available the amounts have been included in the chart to indicate the extreme condition of HHS receivables.

DEPARTMENT OF INTERIOR
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$ 92.72		100.0		\$ 3,167.61		100.0		\$ 3,260.3		100.0
a) Current	\$ 92.7		100.0		\$ 41.2		1.3		\$ 133.9		4.1	
b) Long Term	-		-		3,126.4		98.7		3,126.4		95.9	
2. Age of Receivables												
a) Not delinquent		\$ 65.6		70.8		\$ 27.5		66.7		\$ 93.1		69.5
b) Delinquent		27.1		29.2		13.7		33.3		40.8		30.5
- 1-30 Days	\$ 3.4		3.7		\$.2		.5		\$ 3.6		2.7	
- 31-90 Days	6.4		6.9		.5		1.2		6.9		5.2	
- Over 90 Days	17.3		18.6		13.0		31.6		30.3		22.6	
c) Not Aged		-	-			-	-			-	-	
Total Allowances		\$ 1.9				\$ 5.4				\$ 7.3		
Total Write-offs		.6				1.2				1.8		

- 1/ Includes \$2,748.0 million of installment receivables which were not recorded in the Water and Power Resources Service's financial records. Current amounts due for loans receivable could not be provided by the Department. \$27.5 million of the currently due amount reflected above represents the average annual repayment amount for prior years.
- 2/ Accounts receivable amount of \$100.6 million reported in the March 1980 Treasury Bulletin was overstated by \$9.1 million due to misclassification of government receivables discovered during the review.

INTERNATIONAL COMMUNICATION AGENCY
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$ 1.8		100.0		\$ 1.3		100.0		\$ 3.1		100.0
a) Current	\$ 1.8		100.0		\$.1		7.7		\$ 1.9		61.3	
b) Long Term	-	-			1.2		92.3		1.2		38.7	
2. Age of Receivables												
a) Not delinquent		\$ 0.3		16.6		\$ 0.1		100.0		\$.4		21.1
b) Delinquent		1.0		55.6		-		-		1.0		52.6
- 1-30 Days	\$ 0.2		11.1		-		-		\$ 0.2		10.5	
- 31-90 Days	0.3		16.7		-		-		0.3		15.8	
- Over 90 Days ^{1/}	0.5		27.8		-		-		0.5		26.3	
c) Not Aged		0.5		27.8		-		-		0.5		26.3

^{1/} All ICA delinquencies in any over 90 days categories are included in the single over 90 day category.

INTERSTATE COMMERCE COMMISSION
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$.13/		100.0		\$ 98.7 1/		100.0		\$ 98.8		100.0
a) Current	\$.1		100.0		\$ 98.7		100.0		\$ 98.8		100.0	
b) Long Term	-		-		-		-		-		-	
2. Age of Receivables												
a) Not delinquent		-		-		-		-		-		-
b) Delinquent		-		-		\$ 98.7		100.0		\$ 98.7		99.9
- 1-30 Days		-		-		-		-		-		-
- 31-90 Days		-		-		-		-		-		-
- Over 90 Days 2/		-		-		\$ 98.7		100.0		\$ 98.7		99.9
c) Not Aged		\$.1		100.0		-		-		.1		.1

1/ The March 1980 Treasury Bulletin reported loans receivable for ICC of \$92.2 million. This amount is incorrect and has been corrected by ICC in the first quarter of FY 1980. Loan amounts include both principal and interest.

2/ Loan delinquencies are 3 to 12 years past due.

3/ Promissory notes received in civil forfeiture claim settlements are not recorded as accounts receivable.

DEPARTMENT OF JUSTICE
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$ 20.1 ^{1/}		100.0		\$ 152.5 ^{2/}		100.0		\$ 172.6		100.0
a) Current	\$ 20.1		100.0		\$ 65.5		43.0		\$ 85.6		49.6	
b) Long Term	-		-		87.0		57.0		87.0		50.4	
2. Age of Receivables												
a) Not delinquent		\$ 1.1		5.5		\$ 53.6		35.2		\$ 54.7		31.7
b) Delinquent		2.6 ^{3/}		12.9		11.9		7.8		14.5		8.4
- 1-30 Days	\$.5		2.5		\$.2		.1		\$.7		.4	
- 31-90 Days	.5		2.5		1.3		.9		1.8		1.0	
- Over 90 Days	1.6		7.9		10.4		6.8		12.0		6.9	
c) Not Aged		16.4		81.6		-		-		16.4		9.5

^{1/} Includes \$11.7 million in receivables due from the District of Columbia and previously reported to Treasury as government receivables.

^{2/} Status of loans due for Law Enforcement Education Program unknown. Justice did not age receivables nor could they determine current amount due. Aging was performed by DCP based on February 1, 1980 statistics.

^{3/} Aged receivable for the Immigration and Naturalization Service only.

DEPARTMENT OF LABOR
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$620.6 ^{1/}		100.0		-		-		\$620.6		100.0
a) Current	\$620.6		100.0						\$620.6		100.0	
b) Long Term	-		-						-		-	
2. Age of Receivables												
a) Not Delinquent		\$ 18.8		3.0						\$ 18.8		3.0
b) Delinquent		268.3		43.3						268.3		43.3
- 1-30 Days ^{2/}	\$ 9.7		1.6						\$ 9.7		1.6	
- 31-90 Days ^{3/}	19.9		3.2						19.9		3.2	
- Over 90 Days ^{4/}	238.7		38.5						238.7		38.5	
c) Not Aged		333.5		53.7		-		-		333.5		53.7
Total write-offs		\$ 1.4				-		-		\$ 1.4		

1/ Includes estimated amounts due under the Employees Compensation Act Program (\$276.8 million) and Continuation of Pay (\$57.6 million). These estimates were computed as follows:

Employees Compensation Act - 12,239 cases to be settled x average dollar value of recovery for settled cases \$21,385 per case = \$261.8 million plus cases which have been settled (\$15.1 million).

Continuation of Pay - Cost to government \$4,000 x 14,184 unsettled third party liability cases = \$57.6 million.

Also includes \$264.0 million of unresolved audit findings for: The Employment and Training Administration (\$261.2 million), the Occupational Safety and Health Administration (\$.3 million), the Bureau of Labor Statistics (\$.1 million), and the Office of the Assistant Secretary for Administration and Management (\$2.4 million). These amounts were obtained from the IG report to Congress, April 1979 - September 1979.

2/ Delinquencies in this category are made up of Department of Labor "Other" and the average monthly delinquencies of unresolved audits in the 1-12 months category ("Other" \$.04 million) and ("Unresolved Audits" \$116.2 million divided by 12 = \$9.7 million).

3/ Delinquencies determined as 2/ above. ("Other" \$.48 million) and ("Unresolved Audits" \$116.2 million divided by 12 x 2 = \$19.4 million).

4/ Delinquencies consist of ("Other" \$.38 million) and ("Unresolved Audits" - 4-12 months \$86.6 million, 13-24 months \$54.3 million, over 24 months \$93.4 million).

Note: Accurate Receivable Data was either not available or not provided by DOL.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$220.1 ^{1/}		100.0		\$420.3		100.0		\$640.4		100.0
a) Current	\$173.1		78.6		-		-		\$173.1		27.0	
b) Long Term	47.0		21.4		\$420.3		100.0		467.3		73.0	
2. Age of Receivables												
a) Not delinquent		\$ 1.0		.6		-		-		\$ 1.0		.6
b) Delinquent 2/		5.0		2.9		-		-		5.0		2.9
- 1-30 Days	-		-						-		-	
- 31-90 Days	\$ 3.1		1.8						\$ 3.1		1.8	
- Over 90 Days	1.9		1.1						1.9		1.1	
c) Not Aged		167.1		96.5		-		-		167.1		96.5

1/ Accounts receivable reported to Treasury as of September 30, 1979 was \$166.9 million. The difference reported is a result of misclassified receivables of \$51.8 million discovered by NASA during the review and \$1.5 million of travel advances not reflected as accounts receivable in the Treasury Bulletin.

2/ The automated accounting records are not designed to provide for routine aging. Manual aging for \$5.0 million was provided. The amounts reflected above consist of aged receivable schedules 31-90 days (\$3.1 million) and over 90 days (\$1.9 million). The \$1.9 million consists of the following categories: 91-180 days (\$.3 million), 181-360 days (\$1.2 million), 12-24 months (\$.2 million), and over 24 months (\$.2 million).

PENSION BENEFIT GUARANTY CORPORATION
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$3.4		100.0		-		-		\$3.4		100.0
a) Current	\$3.4		100.0						\$3.4		100.0	
b) Long Term	-		-						-		-	
2. Age of Receivables												
a) Not delinquent		-		-						-		-
b) Delinquent		-		-						-		-
- 1-30 Days												
- 31-90 Days												
- Over 90 Days												
c) Not Aged		\$3.4		100.0		-		-		\$3.4		100.0

SMALL BUSINESS ADMINISTRATION
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$ 278.0		100.0		\$ 7,452.0 ^{1/}		100.0		\$ 7,730.0		100.0
a) Current	\$ 278.0		100.0		\$ 2,583.4 ^{2/}		34.7		\$ 2,861.4		37.0	
b) Long Term	-		-		4,868.6		65.3		4,868.6		63.0	
2. Age of Receivables												
a) Not delinquent		-	-		\$ 811.4 ^{2/}		31.4		\$ 811.4		28.4	
b) Delinquent		-	-		1,772.0		68.6		1,772.0		61.9	
- 1-30 Days					-		-		-		-	
- 31-90 Days					\$ 208.0		8.1		\$ 208.0		7.3	
- Over 90 Days					1,564.0 ^{3/}		60.5		1,564.0		54.6	
c) Not Aged		\$ 278.0		100.0		-	-			\$ 278.0		9.7
Total Allowances		-				\$ 604.2				\$ 604.2		
Total Write-Offs		-				190.5				190.5		

1/ Includes \$602 million of financing provided to the Small Business Investment Company and \$91.6 million provided to the Small Business Development Company. SBA provided \$210 million and the Federal Financing Bank provided \$483.6 million.

2/ The current receivables were computed as follows: \$7,452 million total loans less \$1,772 million of delinquencies equals \$5,680 million of loan principal not delinquent. Since loans have an average life of 7 years, 1/7 of \$5,680 million equals \$811.4 million of payments due within the upcoming year plus the \$1,772 million of delinquencies equals the current amount due of \$2,583.4 million.

3/ \$701 million of this amount is in liquidation.

NOTE:

Individual Program Charts were not provided by SBA. The total portfolio for SBA was as follows (in billions):

Consumer Loans	- \$.9
Farm Loans	- 2.4
Commercial Loans	- 10.4
Total Loans	\$ 13.7
SBA Serviced	\$ 6.8
Bank Serviced	6.9

DEPARTMENT OF STATE
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$ 50.5		100.0		\$ 36.6		100.0		\$ 87.1		100.0
a) Current	\$ 50.5		100.0		\$ 7.1		19.4		\$ 57.6		66.1	
b) Long Term	-		-		29.5		80.6		29.5		33.9	
2. Age of Receivables												
a) Not delinquent		\$ 0.1		0.2		\$ 4.1		57.7		\$ 4.2		7.3
b) Delinquent		0.6		1.2		1.9		26.8		2.5		4.3
- 1-30 Days	\$ 0.1		0.2		\$ 0.1		1.4		\$ 0.2		0.3	
- 31-90 Days	0.0		0.0		0.1		1.4		0.1		0.2	
- Over 90 Days 1/	0.5		1.0		1.7		24.0		2.2		3.8	
c) Not Aged		49.8		98.6		1.1		15.5		50.9		88.4
Total Allowances		\$.3								\$.3		

1/ All State delinquencies in any over 90 days categories are included in the single over day category.

TENNESSEE VALLEY AUTHORITY
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$374.7		100.0		\$30.3		100.0		\$405.0		100.0
a) Current	\$374.7		100.0		\$30.3		100.0		\$405.0		100.0	
b) Long Term	-		-		-		-		-		-	
2. Age of Receivables												
a) Not delinquent		\$226.8		60.5		-		-		\$226.8		56.0
b) Delinquent		96.0		25.6		-		-		96.0		23.7
- 1-30 Days	\$ 80.3		21.4						\$ 80.3		19.8	
- 31-90 Days	0.6		0.2						0.6		0.2	
- Over 90 Days	15.1		4.0						15.1		3.7	
c) Not Aged		51.9		13.9		\$30.3		100.0		82.2		20.3
Total Allowances		\$ 0.4				-				\$ 0.4		

DEPARTMENT OF TRANSPORTATION
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$79.2		100.0		\$1,139.7		100.0		\$1,218.9		100.0
a) Current	\$79.2		100.0		\$467.8		41.0		\$547.0		44.9	
b) Long Term	-		-		671.9		59.0		671.9		55.1	
2. Age of Receivables												
a) Not delinquent		\$ 16.6		21.0		\$ 18.8		4.0		\$ 35.4		6.5
b) Delinquent		61.0		77.0		449.0		96.0		510.0		93.2
- 1-30 Days	\$ 3.5		4.4		-		-		\$ 3.5		0.6	
- 31-90 Days	6.2		7.8		-		-		6.2		1.1	
- Over 90 Days	51.3		64.8		\$ 449.0		96.0		500.3		91.5	
c) Not Aged		1.6		2.0		-		-		1.6		0.3

Total Allowances
Total Write-offs

\$ 8.0
1.1

-
-

\$ 8.0
1.1

DEPARTMENT OF THE TREASURY
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$ 15,015.0		100.0		\$ 10,368.0		100.0		\$ 25,383.0		100.0
a) Current	\$ 14,479.0		96.4		\$ 990.0		9.5		\$ 15,469.0		60.9	
b) Long Term	536.0		3.6		9,378.0		90.5		9,914.0		39.1	
2. Age of Receivables												
a) Not delinquent		\$ 1,035.0		7.1		\$ 26.0		2.6		\$ 1,061.0		6.8
b) Delinquent		13,356.0		92.3		964.0		97.4		14,320.0		92.6
- 1-30 Days	\$ 10.0		0.1		-		-		\$ 10.0		0.1	
- 31-90 Days	4,082.0		28.2		-		-		4,082.0		26.4	
- Over 90 Days	9,264.0		64.0		\$ 964.0		97.4		10,228.0		66.1	
c) Not Aged		88.0		0.6		-	-	-		88.0		0.6
Total Allowances		\$ 2,400.0				-				\$ 2,400.0		
Total Write-offs		617.0				-				617.0		

UNITED STATES RAILWAY ASSOCIATION (USRA)
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$ 0.2		100.0		\$ 2,961.0		100.0		\$ 2,961.2		100.0
a) Current	\$ 0.2		100.0		\$ 19.1		0.6		\$ 19.3		0.7	
b) Long Term	-		-		2,941.9 2/		99.4		2,941.9		99.3	
2. Age of Receivables												
a) Not delinquent		*		-		\$ 19.1		100.0		\$ 19.1		99.0
b) Delinquent		\$ 0.2		100.0		-		-		0.2		1.0
- 1-30 Days	*			-				-		*		-
- 31-90 Days	*			-				-		*		-
- Over 90 Days	\$ 0.2 1/		100.0					-	\$ 0.2		1.0	
c) Not Aged		-		-		-		-		-		-

* Below rounding threshold

1/ This amount includes one account for \$194,000 collected on October 1, 1979. The amounts reported by USRA in the 90-180 days category (\$225,444) are classified as over 90 days by the DCP.

2/ The loans receivable includes \$2.5 billion of preferred stock and debentures considered long term loans by the DCP.

VETERANS ADMINISTRATION
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$ 899.8		100.0		\$ 2,892.5		100.0		\$ 3,792.3		100.0
a) Current	\$ 899.8		100.0		\$ 200.2		6.9		\$ 1,100.0		29.0	
b) Long Term			-		2,692.3		93.1		2,692.3		71.0	
2. Age of Receivables												
a) Not delinquent		-		-	\$ 51.0		25.5		\$ 51.0		4.6	
b) Delinquent		\$ 703.0		78.1	149.2		74.5		852.2		77.5	
- 1-30 Days	\$ 4.6		.5		-		-		\$ 4.6		.4	
- 31-90 Days	5.5		.6		\$ 95.6		47.7		101.1		9.2	
- Over 90 Days	692.9		77.0		53.6		26.8		746.5		67.9	
c) Not Aged		196.8		21.9	-		-		196.8		17.9	
Total Allowances ^{1/}		-		-	\$ 105.6				\$ 105.6			
Total Write-offs					1.7				1.7			

^{1/} Allowances for uncollectables has not been established for overpayments, Direct Home Loans or Education Loans. Allowances are for the Guaranty Home Loans Program.

Mr. Russo. As Chairman Pickle mentioned, the social security computer system seems to have reached its capacity. It appears that in order to avoid some of the problems you have in overpayments and sending checks to the wrong people, that maybe in addition to beefing up your debt collection one of the things you ought to do is concentrate on extending your capacity and getting more modern equipment so that you don't make those kinds of mistakes.

Mr. SVAHN. That thought has crossed my mind, Mr. Russo. In my opening statement, I added in there a further statement regarding the initiative that we have developed across the agency to prevent the debt from occurring in the first place. We are now trying to clean up a large amount of overpayment and debt owed to the agency that could have been prevented to start with. We are working on that.

Mr. Russo. One of the comments I receive from people back in my district is, how can you continue to pay social security benefits for 6 months to people who are dead? Is a system being developed in the social security program to be able to determine when to cut off payment in that particular situation?

Mr. SVAHN. In that particular situation we have had, one, the ability and two, the information at Social Security for the past 16 years to be able to prevent the occurrence. For some reason, and I can't speak to the priorities of my predecessors, but for some reason it was never done before. To start with, we matched the medicare tapes with the social security tapes and we will be doing that on an ongoing basis. Hopefully, we will be able to eliminate embarrassing situations such as that from occurring again.

I will also say that, because of our system's problems and because of the sheer magnitude and the tremendous amount of manual processing that we do, we have a lot of instances where people notify us and notify us repeatedly of beneficiaries who have died and we are unable to remove those people from the beneficiary rolls and stop checks from going out. So there is a twofold problem there that we are working on.

Mr. Russo. I have one comment for the gentlemen from OMB. I know that the Director of OMB is very concerned about cutting costs and making Government more efficient. I think one of the ways we can do this would be to emulate the private sector. The private sector probably has the most updated, sophisticated data collecting apparatus available.

We are probably the largest corporation in the world dealing with computer systems and data gathering information that is 10 to 15 years old. Do you think it would be prudent to spend money up front? Would it make sense, in order to save money in the long run and to make the Government more efficient, to spend money now in bringing us up to date on all the sophisticated equipment we can get.

Maybe we ought to set a trend in how to come up with ideas for increased efficiency.

Mr. HARPER. We support your position 100 percent. In fact, Administrator Svahn and I have had the opportunity to appear before the Government Operations Committee discussing specifically the problems of SSA's computer operations.

At that point we did pledge that we would make resources available because we recognize that as a top priority we must keep the social security checks and benefits flowing on a timely basis and on an accurate basis.

Let me follow up with one or two other comments. Indeed, the private sector I think beats the Federal Government in almost every respect of debt collection, except for perhaps one or two things and one or two activities. I was reminded I should give some appropriate credit to the Internal Revenue Service which has a pretty good record on debt collection even though they do have \$12 billion to \$13 billion in delinquent debts outstanding at this time.

The other thing that they do have that cannot be matched by the private sector, and highlights the imperative nature in our view for getting legislation, the IRS has by a large margin the highest quality address list of debtors to the Government that is available any place in the private sector.

You also asked for the HUD accounts and loans receivable. This data goes back to 1979. For HUD it was estimated data for 1979. That was \$12.8 billion in total receivables and \$1 billion delinquent.

Mr. RUSSO. Thank you, Mr. Chairman.

Chairman ROSTENKOWSKI. Mr. Gradison will inquire.

Mr. GRADISON. Thank you, Mr. Chairman.

Mr. Harper, our hearing today quite properly is focused on the question of debt collection. I am interested in the aspect of the creation of the debt in the first place. I recognize that there is no way to extend credit without having some delinquencies. So, I am not expecting that the decisions made at the front end are going to result in zero delinquencies.

I do wonder, however, what steps you are taking across the agencies at the time debts are extended within the framework of the present laws to exercise as much judgment as possible pointing toward reducing the amount of delinquencies which ultimately will arise, and if the problem is that our legislation is too loose as far as mandating loans under certain circumstances, do you have an agencywide program of reviewing those laws with the goal of suggesting to us additional powers which might be extended to the executive branch which could be used in screening applicants for loans before those loans are extended?

Mr. HARPER. You raise a very interesting and important topic. There are some things that have been done. Some of the most outrageous cases involve the SBA and Farmers Home Administration disaster loans where in the past there have been situations where an individual could go into the Farmers Home Office, get a \$75,000 loan to cover a disaster, which would be an appropriate amount, and then walk down the street to the Small Business Administration and apply for another \$75,000 loan and get another \$75,000 loan. This was shocking to me.

I asked SBA why did this happen, why at the time our procedures did not involve our asking whether or not someone had gotten another loan. Fortunately, that kind of thing has been changed. H.R. 4613 would also give us some real help, I think, by enabling us to screen out applicants who are already delinquent in their tax payments to IRS. That is another reason we feel it is

important, as well as using the social security number as the device by which we can check the applicant versus the delinquent register with the IRS. By improving our standards for the extension of credit, we can decrease the possibility that these debts will become delinquent.

In terms of an overall approach to granting credit, I think it depends on a couple of things. For one thing, granting credit in the private sector is somewhat of an art, a matter of judgment. You have probably heard the old story about a banker always wants to lend money to somebody who doesn't need it. But in the Government, many of our programs are designed for people who are high risk by definition. So the judgment factor increases.

It is the intent of Congress in many cases that we make these higher risk loans. Still there is a matter of judgment. We have not taken an across-the-board search at trying to say, well, do we need more incentives or restrictions or guidelines in the Congress in refusing loans? We have found, for example, a case where one agency said, "Well, you know, we must make these loans." We said, "Why must you do it?" They said, "It is in the statute."

Our counsel went over and consulted with the agency. What the statute actually said was the Administrator "may" make the loans. We said, "What is this? It is inconsistent with your policy of saying you must make loans". They said, "We had always interpreted 'may' as 'must'". We suggested in the future they change that policy and recognize the fact that the Congress was trusting that the executive branch would use some commonsense in granting these loans. So I think you raise a good point and it is one we should address further.

Mr. GRADISON. Thank you, Mr. Chairman.

Chairman ROSTENKOWSKI. Mr. Rangel will inquire.

Mr. RANGEL. Thank you, Mr. Chairman.

Mr. Davis, you are the only one who has not testified about the ineptness of our Government to collect debts. I am a little shocked, not at social security, of course, but I am a little shocked at OMB, that you are asking for this intrusion into the Internal Revenue System when basically you haven't even tried what we refer to as the commonsense method to collect debts.

You are just starting now to correct credit management, to show attention and priority to debt collection, to hire personnel, and to get 24 Federal agencies to improve their managerial abilities, including secretaries. Even the Secretary of HUD has personally directed top management in the Department to focus as much on collection of debts as on disbursements.

You are reasserting your philosophy that debts be paid and that they be paid quickly. I am impressed with all these things but until you have tested these things out, management control, collection of debts at the earliest opportunity, the new computer screening, identifying classes of debts, developing billing and followup and management information systems, it seems to me that you should be able to tell the Congress how much of these bad debts you have been able to collect before you get involved in the very, very sensitive area of using the social security system and IRS system to collect debts.

So I ask the same question to be answered at a later date that Mr. Pickle has asked, and that is, can you break down how much of this money you could have collected if you had asked for it, and how much more money you believe you will be able to collect for what some of us consider to be extraordinary legislative powers. Because, if you have done this badly with what you have had to work with I for one would be more reluctant to give you more tools in the area that deals with the taxpayers' privacy.

Mr. HARPER. May I respond?

Mr. RANGEL. I think you made a wonderful initiative, Mr. Harper, and I wish you good luck with what you have to work with.

Mr. HARPER. Thank you. We appreciate your support.

You mentioned doing the commonsense things that the private sector is doing, and one of the commonsense things that the private sector does is use a private sector collection agency.

Mr. RANGEL. I support that. You stay out of the IRS system and you can contract the whole mess, the health delivery system, public assistance system, you can put it all in the private sector. I have accepted that at least for the next 3½ years. But I haven't accepted your using the system on people who voluntarily pay their taxes and give you information on a confidential basis. I have not accepted the idea of your turning that information over to the private sector.

Mr. HARPER. One of the other things that the private sector does is make the best use of the address list that it has, itself, to collect those debts owed the individual corporations.

Mr. RANGEL. You don't know where the people that owe you money live. That is the problem. You should not use the income tax system. I don't believe that Household Finance comes to IRS to find out where their debtors live.

Mr. HARPER. No, they don't.

Mr. RANGEL. Well, you should find out where all these people are. Ask Social Security. They can identify some of these people for you. Let's see how your program works. I will give you 100 percent support and you can initiate as many outside contracts as you want.

Mr. HARPER. One of the things that we can do I think is give you a pretty good estimate of the amount of debts that will not be collected if the legislation is not passed, and specifically if the address redisclosure provision is not enacted. I think we could make a reasonable argument there will be some \$350 to \$400 million of delinquent debts that will not otherwise be collected because those people move on a regular basis and no one but the IRS has the addresses of those people.

Mr. RANGEL. Let's see what you can collect without the IRS, without social security. It is hard for me to understand why the only people who know where these people live would be the Federal Government.

Mr. HARPER. A test made by the General Accounting Office indicates that the address list of the IRS is of a vastly superior quality to that of any private source.

Mr. RANGEL. I don't doubt that. I just wonder whether you are entitled to it for debt collection.

Mr. HARPER. It is a question of what the taxpayers are entitled to. Are they entitled not to have that extra burden of \$10 million a day of interest charges?

Mr. RANGEL. When someone fills out that tax form they are not doing that because they are afraid of going to jail. They feel they have a real patriotic responsibility to do what the Federal Government asks them to do. That is the relationship, not law enforcement. But a voluntary compliance, I am afraid that you are going to make it difficult for us to maintain that relationship if delinquent students and, God knows, Secretary Pierce are hooked up to the IRS system.

Mr. HARPER. The only thing that we are talking about here is addresses for debts that are not in dispute. This is not a case where somebody claims, "I don't owe the money," it is a case where, "Yes, I owe the money." By the way, address data would not contain any information that could be associated with an individual's income tax liability or any related computations.

Mr. RANGEL. Like the D.A., he only prosecutes the guilty. Thank you very much.

Mr. HARPER. Thank you.

Mr. CONABLE. Will you gentleman yield?

I think you should know that the law permits the IRS to turn over the addresses of people with student loans.

Mr. RANGEL. I know that. Student loans, wayward fathers.

Mr. CONABLE. As long as you understand that we are already a little bit pregnant on that.

Mr. RANGEL. Oh, no. We are more than half pregnant.

Mr. PICKLE [presiding]. The Chair recognizes Mr. Duncan.

Mr. DUNCAN. I have no questions, Mr. Chairman.

Mr. PICKLE. The Chair recognizes Mr. Guarini.

Mr. GUARINI. Thank you, Mr. Chairman.

I am concerned about the last colloquy that we had. I have taken a different view. I think that the Government should do everything in its power to collect the money that is owed and that you make it as simple as possible, and as least costly as possible, the collection of these particular moneys. These public moneys are not the same kind of moneys that are at risk moneys that are loaned by banks and other institutions. In most cases they are already subsidized loans where the interest is paid and the public is already given a subsidy because of the low interest rates that have to be paid. So where the Government has the capacity to collect I think it should certainly use its faculties in collecting.

I hear too often people say, "I can go bankrupt and therefore I could foreclose the Government from even collecting the moneys." I understand from business there is always a loss factor and the Government should always have somewhat of a loss factor but you don't see any real violation of any of our laws, confidentiality laws, because the Government is trying to protect itself against people who are indebted to it.

I regret the fact that we have not been more aggressive than we have been. I know from having people who are close to me who are in college now that the banks advertise to students and tell them that they have not picked up their loans, to come in, they can get this 7 percent money or this cheap money.

I think the Government has indeed a duty to use everything within its power to collect moneys and if the public knows that, they will be more ready and willing to make payments but there is a general feeling out there that, "Well, the Government doesn't need it and I need it more than they do, and they are not going to come after me and therefore I shall not do anything to pay."

I know people give two or three names and addresses to collection agencies. To say the Government should be defenseless when it has information in its hands I think is a wrong and improper attitude in not protecting the public trust that we have in the Government.

This is more of a statement, but it is where I am coming from. Thank you.

Mr. PICKLE. The Chair wants to commend all three of you gentlemen for your testimony this morning. I am sure everyone on the committee agrees that the Federal Government ought to make every effort to collect debts owed the Federal Government. Just because it is a Federal Government debt does not mean we ought to look the other way and say it doesn't matter, it is only Federal dollars.

How we go about collecting and how we use the social security number is the core, perhaps, of this whole question. I think that is what the committee will be trying to establish in the days ahead: How do we encourage and support your efforts to collect the funds and yet not violate the right of privacy of individuals?

Again I want to ask all three of you to give us any suggestion you might have on how we should restrict the use of social security numbers. For address purposes only, or would you want to extend it for identifying purposes only?

I am concerned about the amount of overpayment. Would you withhold, Mr. Svahn, the entire month's benefit though you are only going to request? Would you actually intend to withhold? How do we really use the social security number?

It has been proposed in years past, as I recall, that we give everybody a social security number at birth. I suppose ultimately we come to the question, Should everybody have access to a social security number? As one member said, should we just tattoo it on their arms? It concerns us, how far do we go in trying to give information to the Federal agencies and extend it over to the private sector?

These are the questions I would raise, and I think shared by most members of the committee, What restriction would you put in this legislation if we proceed to extend the use of social security numbers?

Mr. RANGEL. Mr. Chairman, I would like to add that during the tax conference the Senate brought over the Nunn amendment to the tax bill. Would IRS be familiar with the Nunn bill?

Mr. DAVIS. We are still studying it, Mr. Rangel.

Mr. RANGEL. They passed it, didn't they?

Mr. DAVIS. Our understanding is that it has been passed but we are still working on it. There will be future hearings on it.

Mr. RANGEL. I tell you, Mr. Davis, if you could tell me what you think about the Nunn bill that passed, it might help me in trying to find out where the administration will be going with new tools

because my subcommittee will be having hearings on the Nunn bill. We don't have to wait for the formality of testifying for us to get some views as to what you think about some of the over-reaching provisions of the Nunn bill.

Mr. DAVIS. We are in the process of taking a careful look at it so that we can develop a position and be in place to provide you with that kind of information.

Mr. RANGEL. I know, but you are still looking at the Voting Rights Act, too. I would hope that you could share this with us in the Congress on a step-by-step basis so when we get to the hearings we are not adversaries.

Thank you.

Mr. PICKLE. The Chair had not realized that Congressman Pease had entered the committee room.

Mr. Pease, do you have questions?

Mr. PEASE. Yes. Thank you very much, Mr. Chairman.

I commend the chairman for having this hearing and commend the administration for working on the problem. I know there is a lot of money that can be collected out there, and ought to be collected. Frankly, I think one of the reasons we are suffering some of the cuts we are in Federal programs is that Americans have gotten disgusted that their tax money is being wasted. If we are going to have money available for worthy programs, we have to begin to convince the public that what money is being spent is being wisely spent.

I have two questions: Do any of you gentlemen have any breakdown of this debt as between that owed by individuals and that owed by corporations?

Mr. HARPER. I think we can develop some estimate for you on that.

Mr. PEASE. Many people when they hear about debt owed the Federal Government assume it is individual debt. Is it your impression a very substantial amount is owed by corporations?

Mr. HARPER. That probably varies somewhat between the \$13 billion of delinquent debt that the IRS is concerned about versus the other agency debt. In the farm and agri-business areas, the distinction is sometimes a little bit blurred.

Mr. PEASE. If you develop any information along that line I would certainly be interested in having it from you.

Mr. DAVIS. We do have information on the delinquent taxes that we can break out for you and will provide it for the record.

Mr. PEASE. That will be fine. Thank you very much.

[The following was subsequently received:]

Question 1. What is breakout between individuals and businesses in IRS delinquent tax accounts?

Answer. As of June 30, 1981, IRS had \$10.882 billion in delinquent accounts receivable, \$3.736 billion of this amount was for individual taxes and \$7.146 billion for business taxes. IRS also has unpaid tax accounts which are in notice status (accounts subject to routine computer notices before being formally classified as delinquent). The amounts of the latter are not included in this breakout.

Mr. PEASE. I notice in the testimony of Mr. Harper that you have authorized the Internal Revenue Service to increase staff devoted to the collection of unpaid tax accounts by over 1,000 positions. Can you tell me how that fits in with the general pattern of the admin-

istration to cut back on the Federal payroll by 75,000 people in the next 3 years?

Will this be a thousand people in IRS added to the payroll of IRS, or diverted from some other area of IRS activities?

Mr. HARPER. This would be 1,000 people added. This was in the budget from the beginning of the year. I think it is basically a function of Commissioner Egger and Secretary Regan being very persuasive that the funds expended for this personnel intensive activity would produce many times over the collection of overdue taxes.

Mr. PEASE. I am pleased to hear that, and I am pleased for the recognition by Secretary Regan and others in the administration. My experience over a period of years has been that legislative bodies and administrations are often reluctant to add new positions even though the net gain may far outweigh the cost because the new positions are a direct outlay and the revenue which is added comes in the general revenue and does not show up in the budget of the agency.

I think it takes a little fortitude and foresight for administrative officials to be willing to make that investment which appears to increase the budget of the agency. I commend you for that.

Thank you, Mr. Chairman.

Mr. GUARINI. Mr. Chairman, may I ask a question.

Mr. PICKLE. Yes.

Mr. GUARINI. Are there any outside agencies employed by the Government who are specialists in the collection of moneys that are used or is it all in-house?

Mr. HARPER. Basically it has been in-house except for the authorized pilot programs in the Department of Education which have been relatively successful in terms of using outside private contractors. The Inspector General for the Small Business Administration has hired some consultants on the issue of debt collection. However, the SBA statute for its programs prohibits at this time the use of private collection agencies.

Mr. GUARINI. Is it your opinion that private collection agencies that are expert in this subject matter and do deal on a contingency basis would keep the cost of the collection down?

Mr. HARPER. Yes, I believe they would.

Mr. GUARINI. I have had some experience in which the liens were paid and the Government would collect the lien. The Government resources put into the collection would far exceed the value that the Government is going to get if you start figuring in all the people they were using, the salaries and that sort of thing. I thought it was a completely blatant waste of personnel and Government funds to attack it with this kind of approach. This is what a bureaucratic approach would be.

I would like to see encouragement of more private expert enterprises dealing on a contingency basis where the Government will certainly be able to collect a certain sum of moneys, if not all the moneys, most of the money, and know that they only have 18- to 20-percent contingency to pay. If there is failure of recovery there is no expense whatsoever on the part of the Government.

Mr. HARPER. Those views are wholly consistent with the administration's.

Mr. GUARINI. Thank you.

Mr. PICKLE. Mr. Guarini, I would like to expand on one point you made before we adjourn.

Mr. Harper has stated that he thinks we do not have the authority to employ private collection agencies to pursue this indebtedness. On the other hand, Mr. Svahn has indicated he does or intends to experiment on using the private agencies for collection purposes.

Mr. HARPER. May I clarify this.

Mr. PICKLE. Yes.

Mr. HARPER. This has been a kind of murky area. For some time the Comptroller General felt that the executive branch did not have that authority. As I understand it, shortly before Comptroller General Staats retired he gave an opinion in conjunction with the Attorney General that probably most executive agencies could use private collection agencies.

However, it is not an entirely clear issue and with respect to a number of agencies there are specific legislative constraints.

I mentioned the SBA as a case in point. Thus we feel it is very important to clarify this area rather than get started on something and have it blocked by litigation.

Mr. PICKLE. I had understood you made the statement in your opinion the IRS did not have authority to use private collection agencies. You earlier made that statement this morning.

Mr. HARPER. Yes.

Mr. PICKLE. Now you say that it is a murky question and it ought to be clarified.

Mr. HARPER. The basic conclusion that we have reached is that we prefer legislation to clarify this issue.

Mr. PICKLE. Mr. Svahn, did you want to comment on that? Do you feel you do have that authority?

Mr. SVAHN. I understand that, as a result of the agreement between the Comptroller General and the Department of Justice, there is a limited authority for the use of outside private collection agencies. They can only be used—and again this is information that has been provided to me, I have not read the opinion—they can only be used as a supplement to a basic collection program which is operated by the Federal agency. Any private contractor would be subject to the Privacy Act as a Federal debt collection agency, and to Federal or State laws pertaining to debt collection practices.

As Mr. Harper has indicated, it is a murky area. That is the reason I tried to continue the murkiness in my testimony.

Mr. PICKLE. I assume you do not want the Social Security Administration to become a collection agency for Federal agencies or for individuals.

Mr. SVAHN. Well, the Social Security Administration does collect, at the present time, a considerable amount of SSA overpayments. It has not been a high priority in the past.

Mr. PICKLE. You collect back funds in the SSA program?

Mr. SVAHN. Yes. I do not want it to become a collection agency for the rest of Government, though.

Mr. PICKLE. If we don't have proper restrictions, indirectly we let the social security number be the national identifier, it may create

problems we don't intend. The whole program is a serious one and we must examine it.

The committee intends to submit to each of you gentleman additional questions. We will do that in writing.

Mr. GUARINI. Mr. Chairman, will they also submit their recommendations as to whether or not collection agencies individually should be used, and what changes in the law should be made to effect this rule?

Mr. PICKLE. We would like you to respond to that question. [The following was subsequently received:]

Question. Should the use of outside, i.e., non-government collection agents be considered for IRS delinquent accounts? If so, what legislation would be required?

Answer. While the use of private (non-government) collection agents is being appropriately considered for certain nontax Federal debts, it would be both inappropriate and unworkable for private collection agents to be authorized by law to collect Federal tax debts. A tax liability arises as a concomitant result of other economic relationships within our society and are generally discharged by self-assessed tax payment. In contrast, non-tax debts usually arise directly by express contract between the debtor and the government, or by the extension of financial benefits by the government, to the debtor. Accordingly, the Congress has granted the IRS broad powers to effect collection of taxes which powers may be viewed as inappropriate to collect non-tax debt. These powers are sufficiently broad that they should be granted only to officials who are directly accountable as employees to the executive branch of the Federal Government, who are thereby subject to the oversight authority of the Congress, and who serve as employees of the executive branch without a profit motive.

Second, the self-assessment tax system is protected by stringent confidentiality safeguards which would be compromised by the use of private collection agents for tax debts. Direct control over Federal employees and their immediate accountability with respect to the confidentiality to be afforded tax information are essential to the continued public confidence in our self-assessment tax system.

Finally, the conflict between the need for reasonable collection procedures and privacy concerns regarding tax information renders use of private collection agents for tax debts unworkable. Under present law, tax collection procedures may be modified to the mutual benefit of the debtor and the government by IRS collection agents in certain circumstances. These circumstances may be disclosed or verified only upon the agent's reference to tax information about the taxpayer other than the simple fact and amount of a tax debt, such as possible setoffs against the debt, etc. The accommodation of the tax collection process to such mitigating circumstances could not be effected without broad disclosure of a tax debtor's confidential tax information to private debt collectors. Since such broad disclosure would violate current law, which reflects current Congressional and public sensitivity to the confidentiality of tax information, we believe that the use of private collection agents for tax debts is unworkable.

OMB RESPONSE TO QUESTIONS

Question 1. In your testimony you referred to OMB's experience in administering the Privacy Act. Would you please explain in more detail what OMB's exact functions are in this regard? Further, please detail for us how much actual on-site review OMB performs regarding the practices and procedures of the federal agencies in order to insure compliance with the Privacy Act.

Answer. The Privacy Act places responsibility for compliance squarely on the heads of the affected agencies. OMB's role is one of oversight. Thus, Section 6 of the Act requires OMB to:

Develop guidelines and regulations for the use of agencies in implementing the provisions of the Act, and

Provide continuing assistance to and oversight of the implementation activities of the agencies.

A paper describing the OMB/agencies' responsibilities is attached. It also lists the guidance and regulations we have issued to date. It should be noted that we have not thought it necessary to conduct on-site audits of agencies' activities in discharging our oversight responsibilities. We have relied on periodic reporting and public comments to obtain the information needed. We do not see that approach changing in the future.

Question 2. Given present staffing levels, how would OMB implement the requirements of the new Code Section 6103(p)(9) in H.R. 4613? Please specify how much on-site review would be contemplated for federal agencies and for third-party agents.

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Answer. As to the implementation of the requirements of the new Code Section 6103(p)(9) in H.R. 4613, we do not believe those requirements differ substantially from the current requirements of the Privacy Act. Section (A) of the bill requires agencies to create "systems of records" in which to maintain IRS addresses. Section (c) of the Privacy Act requires agencies to report to OMB and the Congress their new systems of records. By reviewing these reports we will be able to determine the extent to which the agencies have complied with Section 6103(p)(9), especially as concerns disposition of the data and restrictions on recipient use. Our staffing level does not permit us to do on-site reviews of either Federal agencies or third-party agents. However, the Offices of Inspectors General and agency audit directors have the responsibility for auditing the activities of Federal agencies and third-party agents, and OMB relies on the work of those offices.

Question 3. Please supply us with the details and any assumptions used to arrive at the revenue gains estimated under this bill. To the extent possible, please allocate these gains among the three major provisions of the bill. Finally, please explain to what extent these gains are dependent upon the related provisions in companion bills; for example, to what extent are such revenue gains dependent upon enactment of the provision in H.R. 4614 that permits Federal agencies to contract with third-party agents for debt collection purposes?

Answer. We expect that the composite of the Administration's debt collection legislative initiatives will result in the recovery of at least \$500 million annually in delinquent debt. Most of this \$500 million will not be recoverable without this legislation.

With respect to H.R. 4613, we estimate that as much as \$375 million could be collected pursuant to Section 4 which provides for the redisclosure of IRS addresses to private contractors for collection purposes. This estimate is based on the amount of delinquent debt that would be subject to this provision, the percentage of addresses that are not currently available from other sources including the Postal Service, and past experience in locating individuals through the IRS system.

Additional savings and collections will be generated by Sections 2 and 3 of H.R. 4613. Section 2 of H.R. 4613, which would authorize agencies to require credit applicants to provide their Social Security number, will assist agencies in screening credit applicants against IRS files of delinquent taxpayers and in obtaining debtor addresses from IRS. This provision will, therefore, contribute to savings through increased collection of both delinquent taxes and other delinquent debts.

Section 3, which allows agencies to check IRS files to determine if credit applicants have outstanding undisputed tax liabilities, would produce two types of savings. First, it would ensure that agencies do not unknowingly extend credit to delinquent taxpayers, thereby limiting the credit risk the Government may take. Second, it would encourage credit applicants to pay their delinquent taxes, giving the IRS support in collecting the more than \$19 billion in overdue taxes. We did not include an estimate of the savings that Sections 2 and 3 would generate, but we feel that it could be substantial.

The provisions of the companion bill, H.R. 4614, are also critical to achieving the \$500 million in annual savings. For example, giving agencies the authority to contract for collection services would enable them to pursue accounts that are currently being ignored or written-off because of inadequate resources. To fully utilize this authority, however, agencies must have the authority to redisclose IRS addresses contained in H.R. 4613. H.R. 4614 also gives agencies the authority to levy interest, penalties, and other administrative costs to delinquent debtors, thereby encouraging individuals to repay their debts and allowing the Government to recoup its costs in collecting the overdue debt and in continuing to finance the delinquent debt. We estimate that total savings generated by H.R. 4614 could easily total \$50-100 million annually.

Also included in the \$500 million are savings that would be realized if the delinquent Government debts of individuals and businesses become a part of their credit record. We do not have the objective surveys and statistics we would like for making a firm estimate of the savings this provision would generate. However, we feel that this provision, which is contained in H.R. 2811, would provide a powerful incentive for delinquent debtors to repay their debts. It is possible that this provision could generate \$100-\$300 million annually in additional savings.

IRS RESPONSE TO QUESTIONS

1. In your testimony, you responded that you believed the provisions of H.R. 4613 were adequate to protect the privacy of taxpayer information in the hands of third-

ALL OTHER FEDERAL AGENCIES ^{1/}
STATUS OF RECEIVABLES DUE FROM THE PUBLIC
SEPTEMBER 30, 1979
(millions)

	Accounts Receivable				Loans Receivable				Total Receivables			
	Amount		Percent		Amount		Percent		Amount		Percent	
1. Total Receivables		\$349.9		100.0		\$154.4		100.0		\$504.3		100.0
a) Current	\$349.9		100.0		\$154.4		100.0		\$504.3		100.0	
b) Long Term	-		-		-		-		-		-	
2. Age of Receivables												
a) Not delinquent		-	-			-	-			-	-	
b) Delinquent		-	-			-	-			-	-	
- 1-30 Days												
- 31-90 Days												
- Over 90 Days												
c) Not Aged		\$349.9		100.0		\$154.4		100.0		\$504.3		100.0

Total Allowances \$143.7 - \$143.7

1/ The data in this table is a summation of all other agencies not reviewed. Amounts were taken from the March 1980 Treasury Bulletin. This includes \$24.5 million in receivables for the Panama Canal, which are due DOD but were not reviewed.

party agents. Would you please detail for us what you see as the bill's requirements in regard to third parties?

Answer. Several provisions in the bill serve to protect the confidentiality of taxpayer information which is provided to third-party agents of participating Federal agencies.

The bill specifies that taxpayer mailing addresses may only be used by third-party agents solely in accordance with section 3 of the Federal Claims Collection Act of 1966.

The amendment to Internal Revenue Code section 6103(a)(3) would subject agents of a Federal agency who obtain access to taxpayer addresses for Federal claims collection to the disclosure restrictions of Code section 6103. The agents would thereby be subject to the sanctions of Code section 7217 which provide civil damages for unauthorized disclosure. The amendment to Code section 7213(a)(2) would provide for criminal penalties for unlawful disclosures by the agents. Violation of this section is a felony punishable by fine, imprisonment, or both, together with the costs of prosecution.

The addition of Code section 6103(p)(9) would further protect the confidentiality of the taxpayer information. Participating Federal agencies would be required to furnish annual reports to OMB describing the procedures which the agency has established and utilized for ensuring the confidentiality of disclosures to third-party agents. Upon completion of use of the mailing addresses, the agency would be required to return them to the IRS (along with any copies) or provide a method for making them incapable of being disclosed. The agencies would also be required to maintain records of disclosures to their agents and ensure that addresses are not incorporated into the general records of their agents or otherwise used for other purposes. The agencies would also be required to provide such other safeguards which OMB determines to be necessary and appropriate to protect the confidentiality of mailing addresses disclosed to agents.

2. One precedent we have in present law for disclosure of addresses to third-party agents occurs under Code section 6103(m)(4) regarding defaulted student loans.

(a) How has this provision operated from your perspective? Has it proved administratively burdensome or costly?

Answer. The processing of requests from the Secretary of Education has not been administratively burdensome or costly to the Service. They are generally processed as part of our previously established Taxpayer Address Request Program. Under this program, the Service provides address information, in accordance with provisions in the Code, on a reimbursable basis.

Pursuant to contractual agreement, the Department of Education provides tapes to the IRS which are run against our records and current addresses are then provided in tape format. Because these disclosures under Code section 6103(m)(4) are accomplished through an already established program, the effect upon IRS staffing has been negligible.

(b) Do you typically release such information to the federal agency or directly to the third-party agent? How will this process work under the bill in your opinion? If it is determined that the IRS should release address information directly to third-party agents under the bill, would this process be a feasible one?

Answer. The address tapes are provided directly to the Department of Education. If, under H.R. 4613, the address information is provided directly to the respective Federal agencies on a tape-to-tape basis, the IRS can process the requests with minimal impact on our staffing. It would also be feasible to release the information directly to third-party agents; however, if the agencies use multiple agents, while feasible, direct release will not be practical and would cause administrative problems for us.

(c) What safeguards are imposed presently on the addresses that go to third-party agents vs. federal agencies? How are these enforced? Does either the IRS or the Department of Education review the handling of this data by third-party agents? If so, please supply any written reports that may exist to document the findings of such reviews.

Answer. Our contractual agreements with the Department of Education include a provision that the Secretary of Education shall advise its agents of the limitations on the use of the information and of the penalty provisions of code sections 7213 and 7217 pertaining to unauthorized disclosure of tax information. Another provision of the agreements requires that any agent of the Department of Education having access to magnetic tape output shall agree that processing of tape data will be under the direct supervision of the agent or the agent's responsible employees. Further, the contract with the agent is required to stipulate that return information made available to such agent will be used only for the purpose of carrying out the provisions of the contract and will not be divulged or made known in any manner to any person except as may be necessary in performance of the contract.

The IRS does not review the handling of the address information by third-party agents. The statute does not provide for IRS oversight of the handling of the data by the Department of Education. However, the Department of Education has the responsibility for ensuring the proper use and safeguards for the information by third parties.

Mr. PICKLE. If there are no other questions, the committee will stand adjourned.

[Whereupon, at 11:17 a.m., the hearing was adjourned.]

[The following was submitted for the record:]

STATEMENT OF HON. JAMES M. JEFFORDS, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF VERMONT

Mr. Chairman, I am very grateful for the opportunity to present testimony before the Committee today.

The magnitude of the federal government's outstanding debt problem is astounding. Of the \$175 billion owed to Uncle Sam, \$25 billion is delinquent or in default at agencies and departments across the full breadth of the government. This figure comprises more than \$16 billion in unpaid taxes and another \$9 billion in overdue loans and other debts. Another \$8.4 billion is in some form of rescheduled status because of borrowers' inability to pay.

In fiscal year 1979, the delinquency rate in five of the ten leading federal lending agencies ranged from 60 percent to an astonishing 97 percent. For example, at the end of fiscal 79, \$1.4 billion in receivables was delinquent at the Department of Agriculture, \$2.2 billion at the Department of Education, and \$1.9 billion at the Department of Health and Human Services.

In fiscal 79, the federal government wrote off \$1.5 billion as uncollectible bad debts. The cost to the American taxpayer of carrying defaulted debt is staggering—roughly \$3 billion annually. Unless Congress acts expeditiously to end this debt forgiveness spree, uncollectibles stand to grow by leaps and bounds with larger federal budgets.

Perhaps the most critical aspect of this mounting debt problem is government indifference. Loan program directors have been the last of the big-time spenders, almost solely concerned with lobbying for increased appropriations and disbursing money, and assigning a very low priority to repayment enforcement. As former Comptroller General Elmer Staats has said, agency heads have been operating on the principle that "It's more fun to give money away than to take it back."

Public awareness of waste, fraud and abuse in Washington is growing, and we will be held accountable if corrective measures are not put into place. Candidate Ronald Reagan made this issue a familiar one on the campaign trail. The General Accounting Office (GAO) has released a spate of reports over the years categorizing the vast numbers of ways the government has been squandering taxpayer money. And certainly waste and improved administration of programs has been focused on as part of the revolutionary changes we have seen in the budget process this year. With worthwhile social programs cut back sharply and with more spending curtailments in the offering, Members have been asking themselves, and rightly so, if waste shouldn't be eliminated before the well whetted budget ax cuts too deeply in programs for the needy.

I believe the Congress is making headway on this front. The House passed H.R. 2811 on May 18 of this year. This legislation provides one very useful tool in the battle for efficacious federal collection of outstanding debts. Referral of the names of delinquent debtors to credit bureaus is extremely cost effective. It will ensure that those who consider reneging on their commitments to the United States know that they run the risk of being denied credit cards and loans. In New Jersey, where the condition of all student loans is made known to credit bureaus, student defaults have been relatively low.

Certainly the Administration is to be commended for zeroing in on debt collection as part of its second round of spending and revenue proposals. Under H.R. 4613, federal departments and agencies would require individuals who apply for credit, financial assistance, or any payment that may result in indebtedness to the U.S., to furnish their social security numbers for identity verification purposes. Although civil liberties groups have criticized this provision, on balance the requirement seems reasonable. It is, after all, standard procedure at private lending institutions.

H.R. 4613 would also allow the Internal Revenue Service (IRS) to disclose to other federal agencies whether a federal loan applicant has any outstanding tax or other liability under the Internal Revenue Code. Finally, it would permit the IRS to disclose mailing addresses of taxpayers to agents, private collection agencies, for

example, as well as the officers and employees of federal agencies for use in tracking down taxpayers who owe Uncle Sam money.

Mr. Danielson, the distinguished Chairman of the Judiciary Subcommittee on Administrative Law and Governmental Relations, has also introduced two fine bills, H.R. 3741 and H.R. 4614.

But I would like to turn now to my own bill, H.R. 2543, the Debt Collection Improvement Act of 1981. This legislation has been jointly referred to four committees, including this one, and currently has 90 cosponsors. It has much in common with all the other measures I have heretofore mentioned. Title I of H.R. 2543 is essentially identical to H.R. 2811, Mr. Brooks' bill. My bill also amends paragraph (2) of section 6103(m) of the Internal Revenue Code of 1954 to allow redisclosure of taxpayer mailing addresses to agents of federal agencies. Like Mr. Danielson's legislation, H.R. 2543 would provide for the garnishment of wages of federal employees who are in debt to the government, provide that the statute of limitations for actions for money damages brought by the U.S. (generally six years) would not apply to the collection of debts by means of administration offset, and would boost the interest rates on defaulted accounts (I am pleased that the tax cut bill just passed increases the rate of interest charged on tax underpayments to 100 percent of the prime rate, with annual adjustments). Unlike the other bills, title II of H.R. 2543 also establishes a special collection system for defaulted student loans. The House Education and Labor Subcommittee on Postsecondary Education held hearings on aspects of this system on May 19, and much of it is currently being implemented by the Office of Education on an administrative basis.

But, most importantly, I think, my bill addresses a debt collection procedure which the other measures sidestep, and this procedure could prove to be the most effective of all debt collection tools. In short, the Debt Collection Improvement Act would permit the referral of defaulted federal loans to the IRS for offsetting against tax refunds, as a last resort collection effort.

This is a controversial concept. The IRS has traditionally opposed it as a distraction from its mission of sound tax administration. This Committee has opposed it on the grounds that it might adversely affect tax compliance among taxpayers, and that it would require additional IRS funding at a time when all federal agencies are being required to cut back operations as part of the overall effort to reduce federal spending.

I do not argue that the IRS would not need additional staff to perform this function, and my bill provides for that. But the principle point is that the additional revenues that would accrue to the Treasury as a result of offset collection would more than pay for these new staff positions. This was the conclusion of a 1979 GAO Report.

The Service is gaining experience in this area as a result of changes made in the budget reconciliation bill relating to collection of delinquent child support payments, and I do not think the transition to a broader offset program would be overly difficult.

Moreover, I don't think the American people will react negatively to the proposal if it is explained to them. It will be clear that refunds will be withheld only from individuals who are past due in their payments to the federal government, and who have resisted all other government collection efforts, which have been exhausted. In other words, we are going after persons who have violated their repayment pledges and are, as a result, costing the honest taxpayer money. Clearly, this is not an unreasonable approach, especially when due process safeguards are provided, and my bill provides them.

The GAO report, FGMSD-79-19, "The Government Can Collect Many Delinquent Debts By Keeping Federal Tax Refunds As Offsets," was released on March 9, 1979. The study concluded that many government claims currently being written off because they are not large enough to warrant recovery through legal action or other conventional methods could be efficiently collected by "transferring the uncollectible receivable balances to IRS for matching against subsequent tax refunds. In cases where an individual or firm owes the Government money, the applicable tax refund would be reduced by this amount."

In order to evaluate the feasibility of offsets, GAO provided the IRS with data on 613 outstanding government receivables valued at \$431,309. The IRS determined that \$153,583, or 36 percent, could be collected through tax refund offsets within two years' time, and that additional amounts could be recovered in subsequent years.

Of the \$153,583, \$98,932 was from joint returns. GAO recognized that the IRS can offset individual debts against joint returns only to the extent that the debtor in question has an interest in the refund. However, in most cases, the debtor will have a significant interest in the joint refund.

GAO pointed out in its report that the federal government's right to collect delinquent debts through tax refund offsets is strongly supported by statutes and court decisions, and that offsets would not result in the illegal disclosure of any individual tax return data.

Accordingly, Mr. Chairman, my recommendation is that, in addition to the proposals before you today in other bills relating to debt collection, traditional inertia and illfounded fears on this issue notwithstanding, the Committee take a long and careful look at tax refund offsets as an extremely effective debt collection tool. Using GAO's figures, we could expect to take in more than a third of the \$25 billion delinquent or in default, or more than \$8 billion, in the two years after implementation of an offset program. Four billion dollars a year is not a bad return.

Perhaps, if the child support collection program proves an inadequate basis for a fully reasoned evaluation of offsetting, we would want to move to a pilot program. But clearly, this is a plan that will greatly assist us in closing the budget gap in the near term and in balancing the federal budget by 1984.

Thank you for your kind attention to this matter, Mr. Chairman and Members of the Committee.

CHAMBER OF COMMERCE OF THE
UNITED STATES OF AMERICA,
Washington, D.C., October 21, 1981.

HON. DANIEL ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the more than 191,000 members of the U.S. Chamber of Commerce, consisting of businesses, state and local chambers of commerce and trade and professional associations, I appreciate the opportunity to express support for H.R. 4613, the Debt Collection Act of 1981.

It is essential for the United States government to be in a position to collect monies owed to it—whether by businesses, individual citizens and other borrowers—on a timely basis. It is my understanding that over \$25 billion in debts owed the government is either delinquent or in default. Unless the law is changed, it is likely that little, if any, of this amount will ever be collected.

H.R. 4613 removes a number of roadblocks that prevent or inhibit the government from collecting debts.

For example, the Privacy Act of 1974, which applies to Federal employees, has prevented Federal departments and agencies from requiring an individual to include his/her social security number on a credit application. This makes it difficult to locate delinquent debtors. H.R. 4613 would require individuals applying for credit or any other type of Federal financial assistance to furnish their social security numbers.

Another illustration is the current inability of Federal agencies to screen credit applicants against Internal Revenue Service records to determine whether they owe unpaid taxes to the government. Permitting such a crosscheck, as provided by H.R. 4613, would serve to help the government avoid unknowingly extending credit to tax delinquents.

Still another impediment to the Federal debt collection process is the limiting effect that the Privacy Act has on Federal reporting of credit information on delinquent debtors to private credit bureaus.

I understand that the Justice Department has ruled that credit bureaus receiving data from Federal agencies must abide by requirements of the Act in handling credit data. This has meant that delinquencies and defaults by debtors on their Federal financial commitments are not reflected in their credit records—which then appear clean in applications to obtain more credit. Removing the data reporting impediment, as provided by H.R. 4613, should cause more timely repayment of Federal debts.

H.R. 4613 will facilitate Federal collection of debts owed the government and the overall process by which the government manages its financial transactions insofar as its lending programs are concerned. The legislation represents a significant element of the administration's economic recovery program, and is a necessary adjunct to the President's administrative efforts in improving the Federal debt collection process.

I will appreciate your consideration of our views and I request that this letter be included in the hearings record.

Cordially,

HILTON DAVIS,
Vice President, Legislative and Political Affairs.